



SVERIGES ÅNGFARTYGS ASSURANS FÖRENING

The Swedish Club

EST. 1872



Annual Report 2020

FOR THE YEAR ENDED 31 DECEMBER



— with you at all times —

2020 has been a year of unprecedented challenge for the whole world. We have all seen a year like never before. Through this time, despite many difficulties, the shipping industry has worked tirelessly to continue to connect producers of essential goods with markets around the globe.

We are proud to have been able to help our members, their crews, and their onshore employees to bring the world together in 2020.

● *Wheat is grown globally on an area equivalent to that of Greenland, and distributed from Scandinavia to South America and across Asia, making it more widely grown than any other staple food crop.*

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THE SWEDISH CLUB ANNUAL REPORT 2020

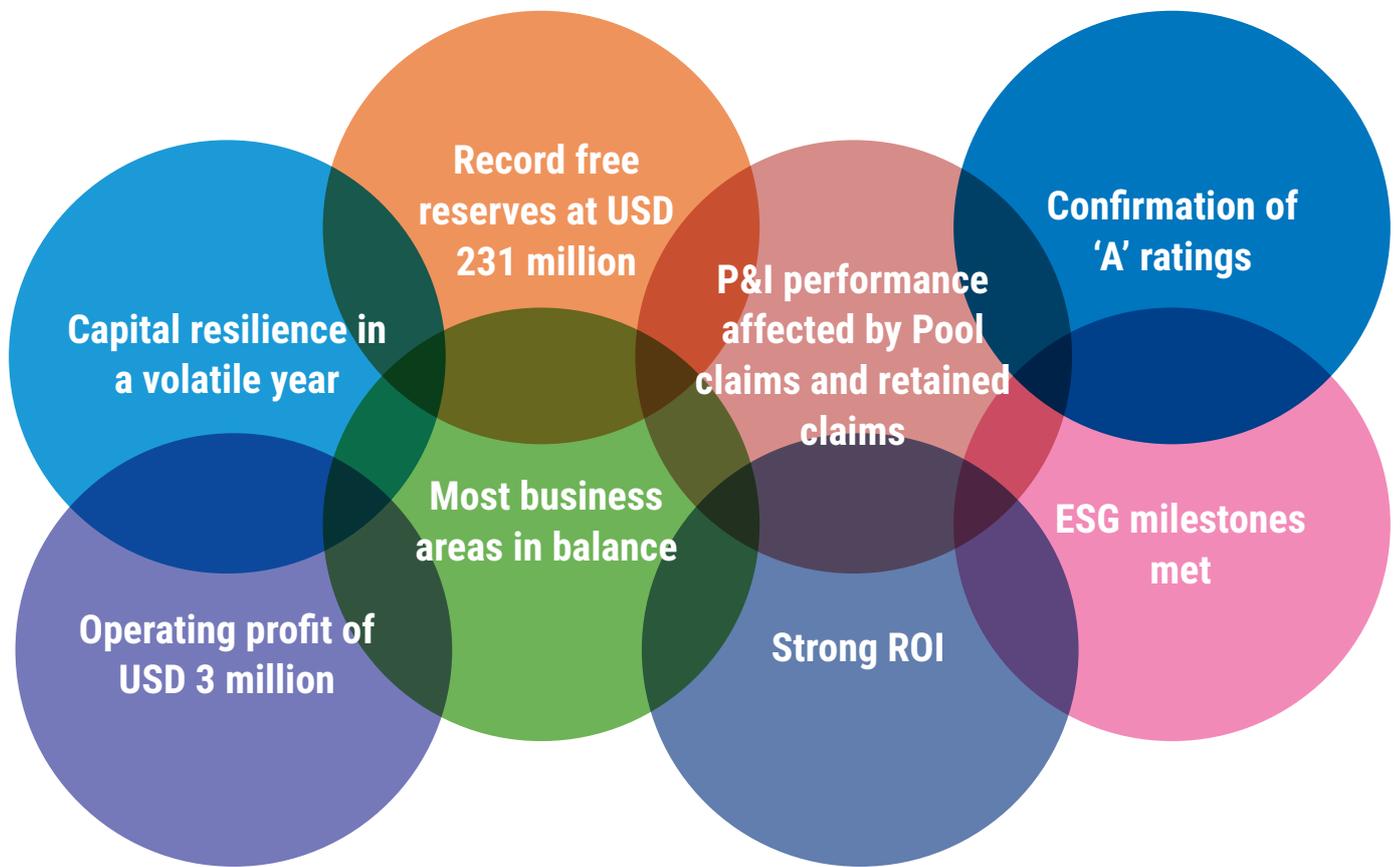
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Financial highlights

USD millions

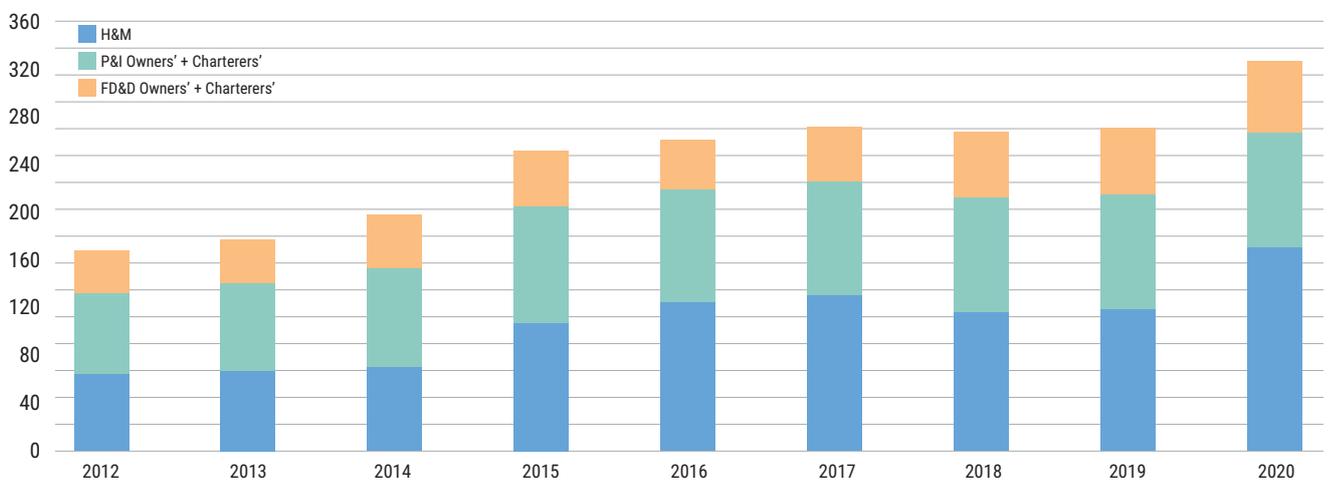
2020	2019	2018
CALLS AND PREMIUMS		
178.8	157.4	146.1
REINSURANCE PREMIUMS		
-39.2	-39.2	-34.9
NET CLAIMS INCURRED		
-138.5	-101.3	-86.6
INVESTMENT RESULT		
33.9	32.2	-5.9
OPERATING RESULT*		
3.0	24.6	-5.2
LOSS RATIO		
103%	86%	78%
EXPENSE RATIO		
20%	21%	21%
COMBINED RATIO		
123%	106%	99%
FREE RESERVES AT YEAR END		
231.4	228.4	203.8

* Before P&I Discount



Vessel portfolio

GT - Insurance Year Start





**The Swedish Club • 40 Years in Greece
1980-2020**



www.swedishclub.com

Gothenburg — Piraeus — Hong Kong — Tokyo — Oslo — London

At a glance

INSURANCE FACTS 2021 2020 2019 2018 2017

P&I INSURANCE INCL. CHARTERERS' LIABILITY, 20 FEBRUARY 2021

No. of vessels	2,230	2,247	1,913	1,890	1,674
Gross tonnage (million)	88	86	76	75	74

FD&D INSURANCE, 20 FEBRUARY 2021

No. of vessels	1,317	1,526	1,198	1,140	841
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MARINE H&M INSURANCE INCL. OSVS, 1 JANUARY 2021

No. of vessels	3,999	3,354	2,779	2,606	2,996
Insurance value (USD million)	106,542	98,691	77,175	76,460	92,960
<i>Of which the Club has insured (USD million)</i>	13,800	11,819	8,451	8,227	10,495

CALL HISTORY POLICY YEAR 2021/22 2020/21 2019/20 2018/19 2017/18

P&I INSURANCE

General increase (owners' P&I)	5%	5%	0%	0%	0%
Additional call/estimated additional call	0%	0%	0%	0%	0%
Open/closed	OPEN	OPEN	OPEN	CLOSED	CLOSED

FD&D INSURANCE

General increase	10%	0%	0%	0%	0%
Additional call/estimated additional call	0%	0%	0%	0%	0%
Open/closed	OPEN	OPEN	OPEN	CLOSED	CLOSED

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Chairman's report

☉ *Tea has a long history of popularity worldwide. It is thought to have originated in China, with records of its use dating back to the 3rd century AD.*

A year when the shipping industry showed its worth

Interview with the Chairman **Lennart Simonsson**

2020 was a year in which the professionalism of the shipping and transport sector shone through, making it possible for the world to continue to trade despite country lockdowns. "It was a year that showed the importance of having a global network that can handle critical times. It has been a very difficult time, but it has all worked," says Lennart Simonsson. "The spirit and new way of thinking in the industry is incredible and it is something we should be proud of."

A year ago, Simonsson spoke of the shipping industry's good record of adapting to change. "Change is part of business development. But I think no one could have imagined the impact of COVID-19, and we could all only do our best to limit the damage as far as possible for everyone."

Of course, the shipowner's experience of the year depended very much what sector they were operating in, says Simonsson. "The year was characterised by a market that was positive for containerships, that started well for tankers but then slowed down, and that was near catastrophic for the cruise industry."

Praise for the Club's members

He praises the Club's members for coping with the new challenges that occurred during the year in a professional way. "It is really in difficult times that the network shows its true value, and I would like to say thank you to all our members for the way we handled the year 2020 together. I do hope also that our members can say the same about The Swedish Club."

Facing new challenges

For the Board, 2020 brought the challenge of digital board meetings and a digital AGM. "This did work out well, but we all miss the physical meetings,

"It is really in difficult times that the network shows its true value, and I would like to say thank you to all our members for the way we handled the year 2020 together."



“At the end of the day, real business is about contact. You need to build up trust and you do that by meeting people. That is what I am looking forward to in 2021.”

especially following board meetings when we took the opportunity to meet our members and update them on developments at the Club. Our entire Board looks forward to normality again, when we will have the chance to meet our members face to face and share with them in the way, we are all used to.”

Despite the fact that most meetings have been online, Simonsson hopes that members have felt supported as usual. “As an insurance provider, we have a commitment to support our members in

the best way we can and have worked hard to do so in 2020.”

Maintaining stability

After four years in a row with a zero-general increase, the Club announced a 5% increase in 2020, and followed this with a further 5% in 2021. “This must be considered in the light of the negative development in Pool claims,” he says. “We were able to keep the increase to a level that is amongst the lowest in the International Group because of the diversity of the Club in combination with high solvency capital.

“One of the most important factors for us as a club is to offer our members the highest stability over a long period of time – and a 5% increase should be looked at in that manner.”

Prevention and support

Looking ahead, The Swedish Club’s drive and strategy remain unchanged, says Simonsson. “Close cooperation between the Club and its members is the best way to keep accidents to a minimum. But if a major casualty does occur, we have the staff and network to cope with it. As the shipping industry becomes ever more sophisticated on a lot of different levels, I believe that members and the Club can work together to improve the future for

members and improve their role in the industry. The better our members develop, the better for The Swedish Club. We have a mutual interest and that is the best way for achieving positive results for all parties involved.”

The importance of a quality network

Once we reach some kind of post-pandemic normality, he believes there will be mixed feelings. “Some people will just leave it behind, but others will be more cautious about who they are in business with. If you are in the right network, it works. Take nothing for granted – make sure you are secure instead of taking chances,” he says.

Hope for the future

“For me, 2020 was really business as usual in a different way. We have learned that digital meetings can work instead of travelling all over the world. However, that was based on relationships we have been building for a very long time. I believe that physical meetings with members and the people we work with – being able to look each other in the face – is so important. At the end of the day, real business is about contact. You need to build up trust and you do that by meeting people. That is what I am looking forward to in 2021.”

● *Semiconductors are made in special manufacturing facilities called fabs. Features in today’s most advanced chips can be as small as 14 nm – thousands of times smaller than a grain of sand.*

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*



Thanasis C. Beis
Costamare Shipping Co. S.A.
Athens, Greece



Michael Bodouroglou
Allseas Marine S.A.
Voula, Greece



Ryan Chan
IMC Industrial Group
Singapore



Peter Claesson
Stena AB
Gothenburg, Sweden



Jude Correa
Seaspan Ship Management Ltd.
Vancouver, Canada



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



Rob Groot
**ZEABORN Ship Management
GmbH & Cie. KG**
Hamburg, Germany



Gustaf Grönberg
Genting Cruise Lines
Kuala Lumpur, Malaysia

2020



Gu Zhongdong

*Cosco Shipping Co S.A.
Shanghai
The People's Republic of China*



Lars Höglund

*Furetank Rederi AB
Donsö, Sweden*



Anders Källsson

*Erik Thun AB
Lidköping, Sweden*



Andonis Lemos

*Enesel S.A.
Athens, Greece*



Mikael Livijn

*Wallenius Marine AB
Stockholm, Sweden*



Lu Jian

*Winning Shipping Pte. Ltd.
Singapore*



Twinchok Tanthuanit

*Regional Container Lines Co. Ltd.
Bangkok, Thailand*



Michael Vinnen

*F.A. Vinnen & Co GmbH & Co. KG
Bremen, Germany*



Weng Yi

*China COSCO Shipping
Corporation Ltd.
Shanghai
The People's Republic of
China*



Herbert Xu

*China Merchants Energy
Shipping (HK) Co. Ltd.
Hong Kong*



Anna Fjaervoll

Elected by the employees



Karoline Rydelid

Elected by the employees

2



Interview

with the Managing Director

Asian suppliers are responsible for around 86% of electronic circuit components exported.

An extraordinary year

Interview with **Lars Rhodin**, Managing Director of The Swedish Club

Reflecting on an extraordinary year with extraordinary volatility, resilience - along with flexibility, relationships, and proactive communication - mattered more than ever before, as the Club responded to the COVID-19 pandemic and its many implications.

The Club finished 2020 with an operating profit of USD 3 million; record reserves at USD 231 million; most business areas in balance, and confirmation of the Club's A- ratings (stable) by S&P Global Ratings and AM Best.

It is true to say however, that the journey to that final point was certainly a bumpy one.

"The year began with a total collapse of the financial markets – our investments were down by 6% in the first quarter," says Managing Director of The Swedish Club Lars Rhodin. "At first underwriting held out well. Subsequently, there was a remarkable return in the financial markets, but then we had issues on the underwriting side on P&I. I have never seen such a high volume of Pool claims notified in one month, as we did in August. However, we were fortunate to see a remarkable progression in ROI in the remainder of the year, so that our investment income rebalanced the result for us."

Regarding the underwriting performance, it is important to note that marine, energy and FD&D were all in balance, he points out: "The imbalance related to P&I only. It was a combination of Pool claims and our retained claims. And when it comes to retained claims, of course there has been an element of premium inadequacy and that is an issue the whole industry is trying to address."

The marine insurance sector, and the Club itself, was very quick to adapt to the restrictions and challenges brought by the pandemic, he says. "We quickly acclimatised to working remotely. I think The Swedish Club came out strongly here, because we had a high level of IT maturity in place already,

supported by good infrastructure and a willingness to change. We were quick to switch from office to remote working, and kept the business running."

The human cost

One of the main stories of the year has of course been the exceptional job that the shipping industry has done in keeping the world supplied with goods, food and medicine. But there has been a human cost: "Our seafarers have been the true heroes in this situation," says Rhodin. "They have continued to carry out their work, despite being concerned for the safety of family and friends at home. We have seen the crew change crisis unfold, and port



“The Swedish Club came out strongly because we had a high level of IT maturity in place already, supported by good infrastructure and a willingness to change.”

delays increasing workload and stress, and yet still the shipping industry has continued to deliver.”

Of course, the cruise industry has been a major casualty of the pandemic, says Rhodin. However, COVID-19 has been less of a determining factor in the performance of other sectors. “You hear about a poor market for dry bulk or tankers – but really, correlation with the pandemic remains to be established. It is more an issue of supply and demand. On the container side, those involved had learned the lesson from 2008 so that when volumes started to reduce, they reduced capacity. Container shipping is booming because of the way the sector handled the situation.”

2020 targets met

The Club entered 2020 with clear targets for growing the business and improving pricing adequacy: both were achieved. “We have seen growth during the year, particularly on the Marine side but also in P&I,” says Rhodin. “I can foresee in 2021 that we will continue to grow, but selectively.”

Pricing adequacy

The Marine market continues to strengthen, and the Club has seen a good improvement on pricing adequacy relative to exposure. “This is also now beginning in P&I,” says Rhodin. “The distinct price gap in the market needs to

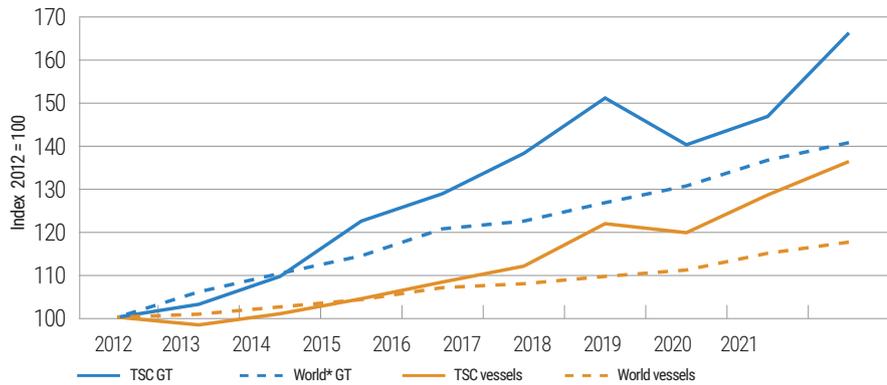
“We are confident that we will see growth – but always in a very controlled manner and always by putting quality first.”

be addressed. There has been much talk in the past few years among all P&I clubs about adjusting premiums, but it has not really happened. We are now at the point that something must be done. The alternative will be like pushing a snowball – the problem will only escalate.”

He describes the Club’s 5% general increase this year as ‘relatively modest’ and a start in the right direction. “Our philosophy has always been about stability - we take things step by step.”

There is now the momentum in the market to support the improvement of premium and claims balance. “We have been quite honest and open. And we are quite clear we need to do it now in order to avoid a stronger reaction in the future.”

The Swedish Club: Fleet vs World Fleet 2012-2021



* Vessels above 300GT

Source World fleet figures: ISL Shipping Statistics and Market Review 2021. vol 65 - No. 1/2

Loss prevention

An absolute positive has been improved outreach on the loss prevention side. “We are regularly seeing audiences in many hundreds for our new loss

prevention webinars. The restrictions due to COVID-19 have actually opened up new possibilities to address a broader audience – and that will remain.”

Having said that, quality comes first. “We will ensure there are good intervals between webinars and the content will always be top class. I do think our experiences here will lead to delivery of a hybrid version of our loss prevention initiatives in the future – some in-person presentations and some high-quality webinars. The best of both worlds.”

TELP comes of age

Another key objective at the start of 2020 was the continuous development of competence. The Club’s unique Trade Enabling Loss Prevention (TELP) initiative could not have been timelier. Trialled in 2019, TELP proactively provides members with tailored information relating to risk areas their ships are heading for. Since the start of the pandemic, specific information relating to COVID-19 has been added to TELP advice, including updates on delays and crew change rules at





Cars represent the world's number two exported product by value, trailing exports of crude oil. European countries are responsible for more than 50% of global car exports.

“The focus will be even stronger on GHG reduction when the pandemic situation starts to ease. Shipping companies will have to adapt; if they can’t adapt, they will be gone.”

different ports. TELP has generated positive feedback and the Club is already working on new features for 2021.

Sanctions

While COVID-19 dominated, of course there were other major challenges during 2020, not least that of sanctions. “Not being compliant with sanctions is one of the biggest risks,” says Rhodin. In May, the Office of Foreign Asset Control

(OFAC) in the US issued a global maritime advisory detailing the level of due diligence and other compliance expected in relation to US sanctions. That was followed in July by similar guidance from the UK’s Office of Financial Sanctions Implementation (OFSI).

“Over the past few years, the sanctions landscape has become much more complex,” says Rhodin. “I think there was some concern from authorities about how the shipping community was acting in this area. We have implemented much more strict due diligence routines before we admit new members, and during policy years to understand trading patterns from this legal perspective. Where the focus has always been on risk factor technicalities – engine, vessel, trading area, claims history – it is now very clear that we must also consider the legality of trade.”

ESG

Meanwhile, The Swedish Club has continued to develop its ESG (environmental, social and corporate governance) policy and has welcomed the adoption of an ESG framework by the International Group.

Rhodin believes that the issue of greenhouse gas (GHG) emissions reduction appears to have been under the

radar during the pandemic, but in reality is most certainly not the case. “The focus will be even stronger on GHG reduction when the pandemic situation starts to ease. Shipping companies will have to adapt; if they can’t adapt, they will be gone.”

The way ahead

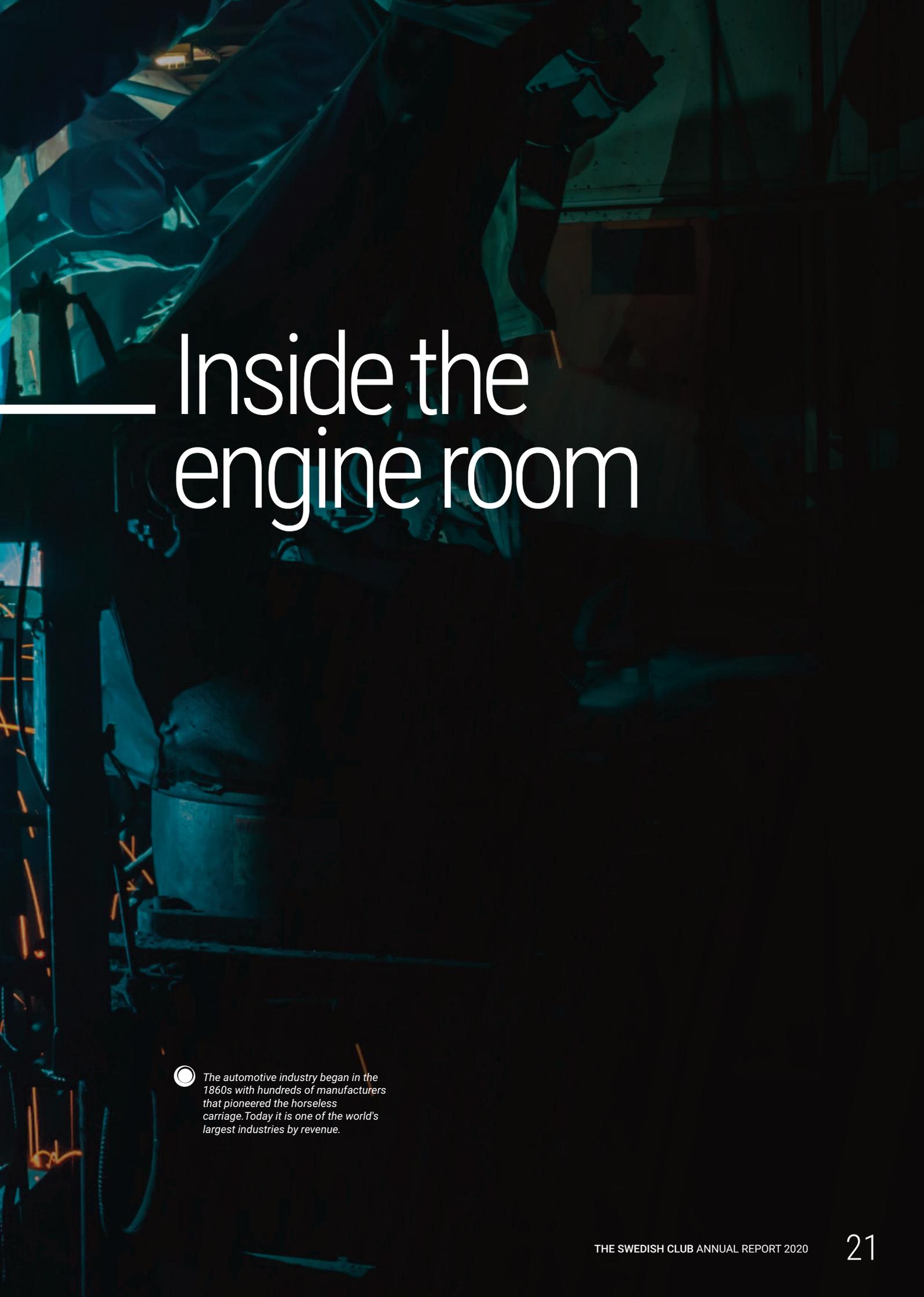
As to the year ahead, the Club is looking forward to the launch of its new Singapore office, intensifying online training and continuing to develop innovative loss prevention initiatives.

“We are confident that we will see growth – but always in a very controlled manner and always by putting quality first. The best parts of the new way of working will be brought forward but we will also look forward to meeting members in person once again. We should not exaggerate how the pandemic will shape the future. Yes, if you want to commoditise yourself, go for online solutions only – but you will not have the services. As a Club, we are selling trust and accessibility and that will not change.”

Rhodin would like to see more. “We support group sharing of data,” he says. “This is an area where we can all improve by taking a more proactive role to support the better sharing of relevant claims data for the benefit of the shipping community as a whole and other stakeholders.”



3



Inside the engine room

⦿ *The automotive industry began in the 1860s with hundreds of manufacturers that pioneered the horseless carriage. Today it is one of the world's largest industries by revenue.*

Management Team

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 other industry bodies. He is also on the Board of Directors of the Swedish Sea Rescue Society.

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.

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.

Britta Patriksson Director, Human Resources
Born: 1965 | In Management Group since 2018

Completed higher education in strategic HR at TBV Akademin Gothenburg in 2000. Solid background in human resources and extensive experience in management and shipping. Held the position of HR Director of Transatlantic AB and Senior VP & Head of HR at Rederi AB Transatlantic before joining The Swedish Club in 2018. Chairman of SUI (Swedish shipping educational institute), and holds a number of positions in shipping related family companies.

Lars A. Malm
Director, Strategic Business Development & Client Relations
Born: 1969 | In Management Group since 2007

Master of Laws 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.

Malin Högberg Director, Corporate Legal
Born: 1985 | In Management Group since 2020

Master of Maritime Law from University of Oslo, Master of Laws from University of Gothenburg and Deck Officer Class VII from Chalmers University of Technology. Served as AB and Chief Officer on traditionally rigged sailing ships before joining The Swedish Club in 2012 as a Claims trainee in Team Gothenburg. After a number of roles at the Club, was appointed Head of P&I Claims, Team Gothenburg, in June 2018 and moved to her current position in January 2020.





A year of challenge and success

Interview with Mikael Kromli, Director, Finance, Risk Management & IT



The Swedish Club ended 2020 with free reserves at a record high of more than USD 230 million and operating profit of USD 3 million. The rollercoaster ride to those results was unlike any other, as investments swung to extremes and P&I came under pressure.

This successful outcome was an affirmation of the Club's investment strategy, says Mikael Kromli, Director, Finance, Risk Management & IT. The positive result was built on a strong foundation, good preparation and a response based on conscious decisions and planning ahead.

The markets

"As the potential impact of the pandemic dawned on actors in equity markets

towards the latter half of February 2020, the world equity index fell sharply by about one-third in one month," he says. "Risk-free interest rates also fell in this period, while the spread to other credit increased. However, after the dramatic fall there was a sharp recovery in the equity markets followed by a positive value trend. While equities regained value, short-term base interest rates largely remained on low levels supported by central banks."

The Club's investment strategy

"We had a predefined strategy in place as to what we would do in certain circumstances. This time, our preparations and a structured and fact-based approach to the management of the investment portfolio really worked out.

"Our strategy is to stick to the facts and the base analysis and not to overreact. Having gone through the scenarios ahead of time and thought through the trigger points – what we would do and how we would evaluate things – we were able to participate in the recovery,"

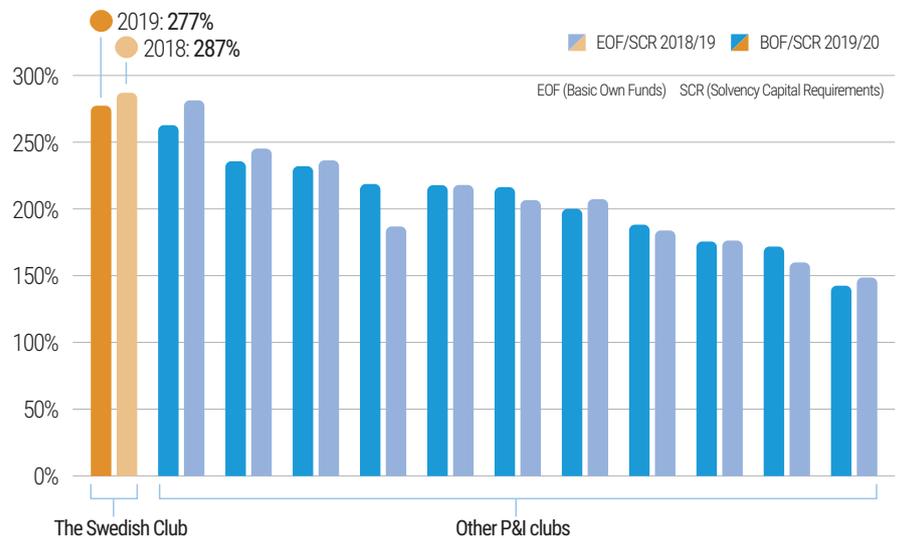
"As a mutual, we must remember that we are in business for the long-term benefit of our members."

says Kromli. "It was an affirmation of our investment strategy. Having a clear structure in place means that everyone understands the context and why we arrived at certain decisions. We had a good flow of information, which also helped. We acted in a conscious way – it was never an emotional reaction."

Regaining the balance

The Club remains financially strong and resilient, he says. The benefits gained from the 'phenomenal developments' in the financial markets compensated for underwriting deficits, due to the lack of balance in P&I – but also here, at last, there is price recovery going on.

Solvency ratio - Peers' Solvency and Financial Condition Reports (SFCR)



With prices improving we set out to grow and we outperformed our target, increasing gross premiums by 11% compared to 2019. We also spread our risks so that we were more diversified, so last year was a clear success in that respect. The growth was confirmation from the market that we are an attractive insurance provider."

The general increase of 5% is 'a start', says Kromli. "It is a signal that price adequacy remains to be reached. Going forward with financial assets generally being highly valued, one cannot rely on financial income to compensate for inadequate pricing. In the long term there is no option other than keeping underwriting in balance."

Improvements in combined ratios – across the P&I sector – will come as price adjustments are made, he believes. "It will have to come to that. However, after what we hope will be viewed as an outlier year, and coming out of a very soft market, we have to explain to our members the rationale for this step. As a mutual, we must remember that we are in business for

the long-term benefit of our members."

In January of 2021, both Standard & Poor's (S&P) and AM Best confirmed their A- ratings of the Club. S&P pointed to The Swedish Club's resilient capital position in a volatile year. It also commented on the Club's disciplined underwriting and risk control, supporting the Club's controlled underwriting results. In addition, S&P confirmed a stable outlook for the Club, reflecting its view that the Club will continue to preserve its excellent capital adequacy and improve its underwriting performance. AM Best categorised the Club's balance sheet as 'very strong' underpinned by risk-adjusted capitalisation at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR).

"I view these rating confirmations as affirmations of the Club's long-term strategy of prudent risk management and a commitment to providing excellent levels of service to our members," says Kromli.

A year of business growth in adversity

Interview with **Lars A. Malm**, Director Strategic Business Development & Client Relations.

The challenges of COVID-19 had less impact than might have been expected on business for The Swedish Club and its members in 2020. The Club achieved strong growth in both P&I and H&M business and the pandemic had little effect on claims, says Lars Malm.



“It is important to say that we are talking about our main business group – tankers, bulkers and container ships, which did not suffer the same impact as cruise and passenger vessels,” he says. “Of course, there were difficulties for members with regard to changing crews around the world, and port delays – that has been the same for any operator, regardless of tonnage. But claims related to COVID-19, such as medical and quarantine costs, were surprisingly fewer than expected. All-in-all, business wise it has been a year with less disruption than initially anticipated.”

In P&I there was an 8% increase in gross tonnage, while in H&M vessel numbers increased by 15% to an all-time high of nearly 5,000.

“Because we provide all classes of insurance, we have so many more points of contact compared with a monoline provider.”

The diversification effects

What 2020 did make clear was the importance of being diversified and having a unique offering, says Malm. “It has shown that when there is less opportunity to meet in real life – or actually no opportunity at all – it is important to be able to continuously stay in touch with business partners, brokers and members throughout the year and to continue to have intelligent conversations about a wide range of tailored insurance solutions.

“This past year, even though we missed out on real life interactions, it has been fantastic to have our offering as a base to start discussions from. We have benefited from having an existing network of quality members and business partners.. Because we provide all classes of insurance, we have so many more points of contact compared with a monoline provider.”

The claims balance

From the claims point of view, 2020 is easy to analyse in that there was a balanced underwriting result for most classes, but not for P&I, he says. "The reason for not being in balance there was other clubs' Pool claims as well as some of our own. Our experience seems to be aligned with the other IG clubs and this emphasises the importance of our continued long-term focus on premium adequacy."

Growing opportunities

The Club has made good progress in its strategy of taking on follow lines and subsequently converting these to lead and, in parallel, expanding the business relationship to cover other classes of insurance, says Malm. "Over the past five years, we have converted 300 vessels from follow to lead, which we believe is a good conversion rate."

A baptism of fire for TELP

2020 saw the successful roll-out of the unique Trade Enabling Loss Prevention (TELP) initiative after a pilot involving four members.

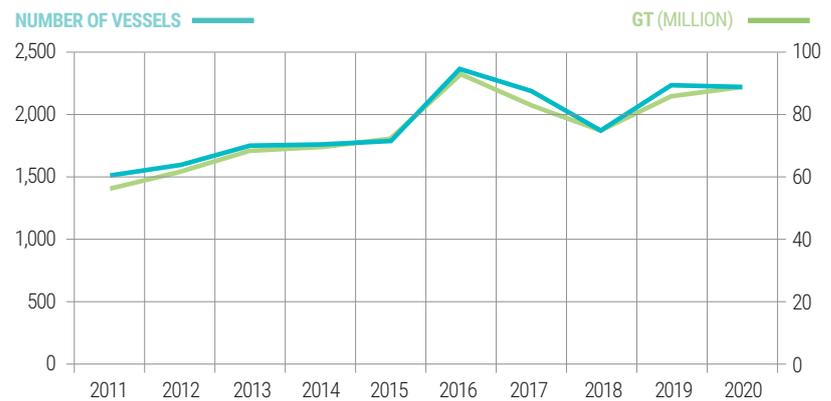
TELP provides members with tailored information, in advance, relating to any hotspots or risk areas their ships are heading for. During 2020, the Club was using the system to deliver more than 200 alerts a day to vessels needing information on the many and varied COVID-19 restrictions they were facing around the world.

The take-up rate is currently at 50% of P&I tonnage and 50% of lead H&M business, says Malm. "We would love to see 100%, obviously. But looking at the timeframe, this has been achieved in less than a year. We are very pleased that so many have signed up already and we will continue to encourage members to join."

Leveraging technology

Meanwhile, the Club has continued with its other initiatives in training and loss prevention, despite the limitations of the pandemic. "We are delivering a new

P&I growth 2011-2020 incl. Charterers' liability (31 Dec)



H&M growth 2011-2020 (31 Dec)



We have concluded that in some instances there are clear advantages to interacting online – it is here to stay.”

series of loss prevention webinars and developed our training for maximum effectiveness online. From providing enhanced cargo analysis advice to developing new material to support members on contractual issues, we have managed to create and deliver useful insights throughout the year. A major benefit has been the ability to reach a far wider audience via online events than we would have through real life seminars. We have concluded, even though we really want to see each other again, that in some instances there are clear advantages to interacting online – it is here to stay.”

A commitment to P&I

The whole industry is now trying to address premium adequacy in P&I – “and so are we, of course”, says Malm. “Connected to that, and in relation to how we look at growth for 2021, long-term we are very keen to continue growing our P&I portfolio in a sustainable manner. P&I is a long-term commitment between members and club, so continuing in a structured way to grow the business on the basis of premium adequacy is very important.”

A year that set new trends?

Interview with **Tord Nilsson**, Director, Underwriting, Reinsurance & Risk Control

With the COVID-19 pandemic and Pool claims breaking records for the wrong reasons, do we need to reassess the concept of risk?

COVID-19 has shaken the global insurance industry – both the direct market and the reinsurance market – because most people simply did not anticipate the scenario of a pandemic of this nature, says Tord Nilsson. “We have seen SARS and other diseases in the recent past, but these were relatively limited in scope. This one has affected everybody around the world and the insurance industry as a whole was taken by surprise by COVID-19.”

Marine insurance

The impact on marine insurance was however much more muted. From The Swedish Club’s point of view, he says, the impact was more on our way of working internally. “Pandemic claims are covered through P&I and we have seen a number of crew claims – some quarantine claims, some vessels stuck in places – but the impact has been quite limited so far. We

have very low exposure to the cruise industry, which is where most claims would come from.”

Increased Pool claims – a trend?

He describes 2020 as a volatile claims’ year, especially on the P&I side and notes that the trend for large Pool claims over the past three years is different to anything seen previously. “You expect one or two bad years, but it looks as if 2020 could be the worst year in a very long time for large P&I claims, on the back of the two previous years being bad as well. It is concerning to have this spike in claims. We have to consider whether it is a long-term trend. One or two years can be a one-off or even a ‘two-off’ but three years in a row is certainly something we have to address.”

Balancing exposure

Overall, the Club is ‘getting closer to a place where we are better paid for the exposure we take on’, he says. “It has been the other way round for a number of years. It has been very challenging for marine insurers – in both P&I and hull – to get premiums that sufficiently take all exposures into account.”

“We have a solid basis for our underwriting and a lot of credit from S&P and AM Best on how we manage risk.”



The Club always seeks to be proactive in its approach to business but does not want to charge more upfront than is needed, he points out. “The business we are in is quite volatile. We don’t want to move premiums up and down on a yearly basis, but we certainly believe we are heading into a period where we have to correct premium levels to account for these larger claims.”

P&I insurance can be ‘the ticket to trade’ for shipowners. “We are delivering fantastic limits – and to fill up a ship with over 20,000 containers, these limits are needed. But the fact that we provide a very good cover for our owners also means that when something happens it can be very expensive.

“Claims are becoming more and more expensive because there is more focus on the environment and doing things in a more environmentally sound and safe way.”

A history of understanding risk

The Swedish Club has weathered some rough trading conditions but is well capitalised, resilient and in a very strong position, he says – “and the International Group certainly has a solid structure for dealing with these issues”.

All claims notified are carefully tracked and analysed by The Swedish Club, as a central part of assessing risk.

“The Club has been doing this for 148 years, and we continue to collect and categorise claims experience,” says Nilsson. “We analyse the costs for different types of claims and vessels, and this database is at the heart of our underwriting. We model the future with the benefit of the past. Given the various parameters – types of ships, where they trade, what kind of cargoes they carry – there are many things that go into the equation. As we get more access to relevant data, we incorporate it into our models to see if there is a correlation between factors that impacts the claims outcome.

“We have a solid basis for our underwriting and a lot of credit from S&P and AM Best on how we manage risk. We grow, we deliver results, we deliver good services to members and we develop our offering. It is about not being content with the way you do things but looking for improvements every day. That will take us to where we want to be in the future.

War Risk Insurance

Among other insurance classes, War Risk Insurance is more valid than ever due to global tension and regional issues, while kidnap and ransom insurance is in demand too. “In 2020 there were attacks on vessels in the Persian Gulf and Red Sea ports in Saudi Arabia. There were also many kidnappings and hijackings in the Gulf of Guinea. This puts additional strain on seafarers in that area – I would like to see more international attention paid to what’s happening in the Gulf of Guinea.”

 Steel is used in every important industry; energy, construction, automotive and transportation, infrastructure, packaging and machinery.

By 2050, steel use is projected to increase by around 20% compared to present levels in order to meet the needs of the world’s growing population.

A year when the organisation came closer together

Interview with **Britta Patriksson**, Director, Human Resources

From digital meetings to working at home, the COVID-19 pandemic turned accepted working practices on their head in 2020 – and had a huge impact on people’s day-to-day lives.

In her role as head of human resources, Britta Patriksson has organised, advised and supported staff across The Swedish Club, and witnessed the positives and negatives of some dramatic changes.

Keeping up to date with changing rules

“The impact hit our Hong Kong office first, and then swiftly spread to the other offices,” she says. “We discussed the implications very regularly in the management team. For our offices outside Sweden, each area manager reported to me regularly, updating me as soon as any restrictions were changed in their country. Our area managers and office managers took on a great deal of responsibility, and I have been impressed in the way everyone responded, positively and constructively”

Keeping in touch

As lockdowns were switched on and off in the various locations, staff worked from home or went into the office in shift systems to allow for a reduced number in the same space. In the midst of this upheaval, Patriksson was well aware of the risk that employees could feel isolated.

“We have continued to communicate, via the intranet, emails and digital meetings,” she says. “Our managers have had increased responsibility to constantly keep in touch with their staff and check that there is a healthy balance between work- and family life.”

Digital training

Training was another area that needed to be boosted. Physical training courses had to be postponed, but the transfer to digital training has been successful, says Patriksson. There were some real positives – for example, the leadership training we organised online effectively gathered all the office managers for training together, for the first time. “When you have a physical meeting, you are able to have more discussions and conversations. But this training worked well because we were able to communicate with all managers worldwide at the same time.

Recruitment continued

Recruitment and career progression continued, despite the challenges. Here, too, there is an upside, says Patriksson. “We, as everyone else, had to adapt and so far, we have a positive experience of interviewing and recruiting online. It was easy and



efficient to handle the digital interviews with the relevant candidates. Of course, when possible, the final interviews are always better face-to-face to get that extra perspective of the person you wish to recruit.”

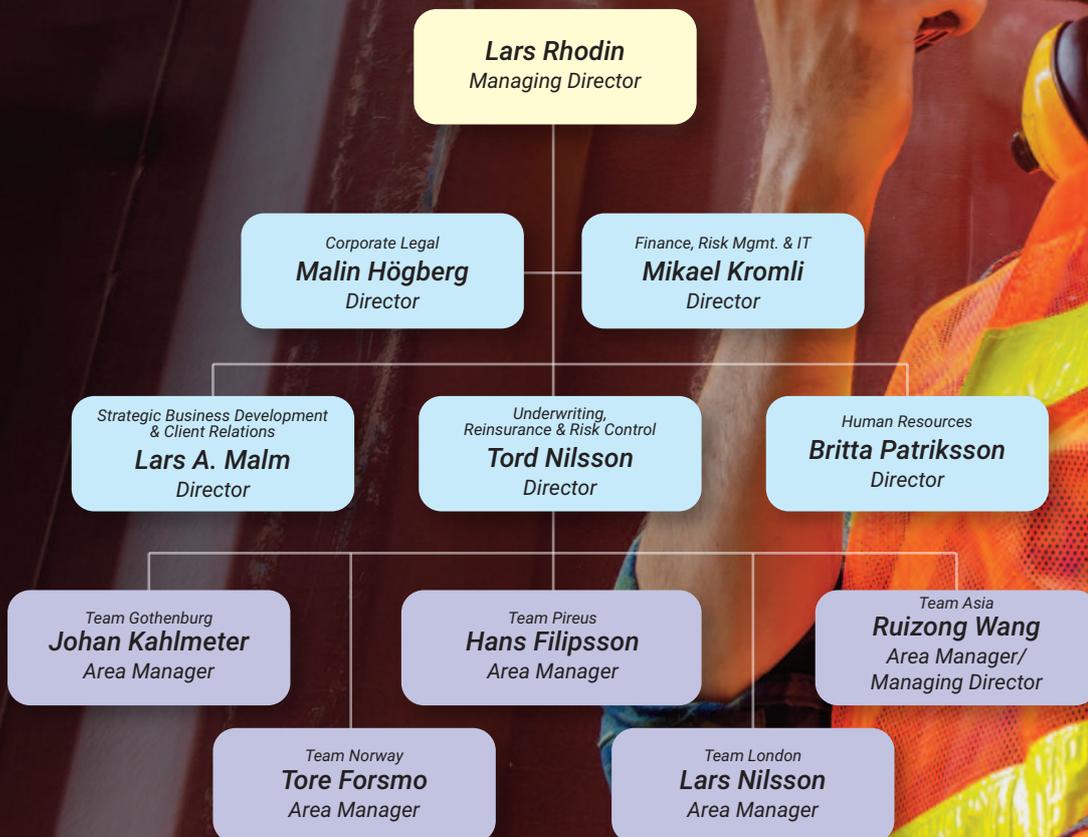
Making the effort to communicate

Patriksson says a year of little travel was successful in terms of efficiency and successful digital meetings, but nevertheless it is clear that the shipping industry, and the business cultures of most countries, really do depend on face-to-face meetings and personal relationships. She is

looking forward to a situation where people can meet each other in real life once again.

“There is no doubt that the past year has been very challenging , says Patriksson. Everyone has had to make the best of the situation and do their best. The whole organisation quickly adapted to the circumstances and worked together as a team worldwide. I would say the organisation became closer because the offices are interacting more with each other. More people can be involved in digital meetings, and we can cooperate on all levels. I am proud of the way in which we made such rapid changes – we did, and do, our utmost every day.”

 The world's first purpose built container ship was launched in 1955. Today, approximately 60 percent of all world seaborne trade is carried by container ships.



4



Sustainability

Companies in the forestry and logging industry grow and harvest timber on a long production cycle that lasts for 10 years or more. The maturation time of timber depends on the tree species, the region's climatic conditions, and the timber's intended purpose.

A year of consolidation

Interview with **Malin Högberg**, Director, Corporate Legal

From digital meetings to working at home, the COVID-19 pandemic turned accepted working practices on their head in 2020 – and had a huge impact on people’s day-to-day lives.

Unsurprisingly, the ongoing development of the Club’s ESG policy was somewhat delayed by the COVID-19 pandemic – but the delay was short, the momentum was not lost and in many ways the focus was sharpened, says Högberg.

Making a formal commitment

Although the policy was completed in time for the March board meeting, inevitably it was overshadowed by the immediate decisions that had to be made around the pandemic. Ultimately, it was adopted at the October board meeting. The policy establishes a common view on what sustainability means for the Club, as well as providing guidance to employees and members on what is being done in this field and which areas the Club will focus on next.

“However, to put this in context, this is not a new way of working for the Club. Long before the formal concept of ESG was adopted by the shipping industry Swedish companies have been developing along sustainable lines. The Swedish authorities have required companies to produce annual sustainability reports since 2017, and for us meeting ESG principles is just the way we do business.

Back on the agenda

“ESG is about together taking responsibility for a sustainable future, raising awareness and showing transparency so members and, ultimately, the end consumer can make informed choices. Despite the pandemic, at the end of the year ESG returned to the forefront of the industry’s agenda - and actually more quickly than I expected,” she adds.

“As a Club, we have to be more transparent about the ESG risks we see and how we work to limit that impact.”



“The policy establishes a common view on what sustainability means for the Club, as well as providing guidance to employees and members on what is being done in this field and which areas the Club will focus on next.”

She welcomes the adoption of an ESG framework by the International Group. “We acknowledge that the 13 clubs can together do so much more than just one of us. Of course, each club will continue its own focus, but together we can do really great things.”

A business case

Many shipping companies are voluntarily committed to their ESG approach, but the industry is also seeing pressure from financial institutions and other business partners with initiatives like the Poseidon Principles and the Sea Cargo Charter. “People want to invest in an organisation that is sustainable and committed and takes responsibility,” says Högberg.

“As a Club, we have to be more transparent about the ESG risks we see and how we work to limit that impact. We have to respond to more stringent laws for financial reporting. At the same time, shipowners are asking what their suppliers are doing in the area, and that - of course - includes us. We have many Board members who are passionate on this topic, so there is a lot of engagement.”

 Rice is the staple food for more than half the world's population. It is uniquely suited to wet environments which other crops would not survive.

Sustainability report

● *Maize is widely cultivated throughout the world, and a greater weight of maize is produced each year than any other grain. The United States produces 40% of the world's harvest.*

The Swedish Club business model

The Swedish Club (hereafter 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 31 December 2020, the number of staff was 129.

Mutuality means that the Club is owned and controlled directly by the policyholders (hereafter 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 prompts equally stringent regulatory compliance. Sound business practices and stability in the operations are safeguarded by robust processes for internal control and a holistic enterprise risk management

system. This system is carried out 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 these risks are managed are regularly reported to the Swedish Financial Supervisory Authority and other stakeholders, internally and externally.

The Club's core values are to be Proactive, Reliable, and Committed. These core values are central to the Club's operations and sustainability over time.

Further details of the Club's business model can be found in the Annual Report 2020.

Environmental, Social and Governance (ESG)

Naturally, given the nature of shipping, it is impossible to eradicate all accidents. As risk managers, insurers and investors, the Club, along with other marine insurers, plays an important role in promoting economic, social and environmental sustainability and development. The Club has a

longstanding commitment to assisting its members in managing maritime risks and thereby minimising the effect on the environment and society.

The Club is committed to preventing maritime accidents through proactive loss prevention initiatives and risk analysis. By

providing proactive loss prevention and relevant insurance solutions, the Club minimises the consequences for the environment and society as a whole at the same time as it services its members. Sustainability is, therefore, and has for a long time now been, at the core of what the Club delivers.

ESG framework policy

The Club's Board of Directors adopted an ESG framework policy at its October 2020 meeting. The purpose of the Club's ESG framework policy is to provide the organisation with a declaration of intentions for the Club's work on sustainability. The policy aims at assisting in establishing a common view of what sustainability means to the Club as well as providing guidance to its employees and members. The ESG framework policy is a forward-looking document that is subject to an annual review.

The Club's ESG framework policy takes the four principles for sustainable insurance as defined by the United Nations Environment Programme's Finance Initiative (the UNEP FI) as its starting point:

1. To embed ESG in the Club's decision making
2. To raise awareness about ESG
3. To promote widespread action with ESG
4. To demonstrate accountability and transparency within the ESG area

To further assist its work in the ESG area, the Club's ESG framework policy uses four of the United Nation's Global Goals for Sustainable Development to provide a

direction for the Club's further ESG efforts. The UN Sustainable Development Goals (SDGs) are, as identified by the UN, the blueprint for achieving a better and more sustainable future for everyone.

The goals are all interconnected and intended to address the world's global challenges.

More information about all 17 goals is available on the following site: UN Sustainable Development Goals (<https://www.un.org/sustainabledevelopment/sustainable-development-goals/>)

The goals chosen by the Club are:

- UN Goal 3: Good Health and Well-being: The Club will promote health and safety in people's working life, on-shore as well as off-shore.
- UN Goal 12: Responsible Consumption and Production: The Club will promote the responsible consumption of water, energy, and food.
- UN Goal 14: Life Below Water: The Club will work to safeguard life below water through active loss prevention and relevant insurance solutions for its members.
- UN Goal 16: Peace, Justice and Strong Institutions: The Club promotes the rule of law and works against the use of bribes and other illegal measures.

ESG risks in the Club's business segment

The main ESG risks in the Club's business segment as a marine insurance provider are:

- Inadvertently providing insurance coverage for illegal fishing, illegal shipping activities, intentional pollution, and illegal scrapping of ships;
- Inadvertently providing insurance coverage for breaches of climate-related emission levels, labour and trafficking, poor worker safety records and money laundering.

Below is an overview of how the Club works to facilitate sustainability and mitigate the ESG risks of its business segments.

The environment and life below water

The Club makes significant efforts to safeguard environmental interests in its routine work. As part of its loss prevention activities, the Club regularly produces publications and holds workshops on how to avoid marine casualties, mitigate marine risks and mitigate the environmental impact generally through advice about fuel management and information on environmental regulations.

The Club's Loss Prevention team works in close cooperation with the Club's claims handlers to understand and advise members on what causes accidents. Emergency Response Training is offered to members to stress test their organisations and create an understanding of how to cooperate to handle and minimise the adverse consequences of maritime casualties.

The Club's initiative Trade Enabling Loss Prevention (TELP) is at the forefront of providing shipowners with up-to-date proactive loss prevention advice to prevent and minimise losses and accidents at sea. TELP was launched in January 2020 and is a free service for members aimed at increasing safety awareness in specific areas and ports worldwide and thereby reducing claims. The information provided through the TELP service was expanded and enhanced throughout 2020.

The Club participates in a comprehensive risk-mitigating training programme through

The Swedish Club Academy. The programme was developed after having realised that the majority of marine casualties occur due to human factors, and the objective with the programme is to establish safe and sound attitudes and behaviour within organisations. The training is conducted at over 70 facilities in 31 countries, licensed by the Club. The Club subsidises its members' start-up fee when first signing up to participate in the programme.

In 2020 the Club became an official corporate member of the Big Blue Ocean Cleanup. The Big Blue Ocean Cleanup helps keep the oceans clean, protect marine wildlife and support the development of innovative technologies. The Big Blue Ocean Cleanup runs free educational workshops and provides resources for schools around the world; inspiring every generation to take action and protect our blue planet. The Club's first beach cleaning activity in cooperation with the Big Blue Ocean Cleanup was carried out in the autumn of 2020.

Responsible consumption and production

The Club seeks to apply high standards to operate in an eco-friendly way, which includes recycling waste, minimising the use of paper and using video conferences instead of travelling, to the extent that it is possible. Club employees are expected to travel responsibly and consider if it is the best option to attend a meeting, inspect an incident site, or manage a casualty.

Guidelines on the Club's travel policy for employees is provided in The Swedish Club's Personnel Handbook. The Club is assisted by its worldwide network of correspondents, experts and lawyers in its routine claims handling activities. However, a physical presence is necessary to maintain a close relationship with the members and to properly manage marine casualties. It is therefore unavoidable to some extent for the Club's employees to travel by aeroplane. Having said that, travel by the Club's staff was very limited in 2020 due to the COVID-19 outbreak. The Club carried out a majority of its meetings in 2020 through digital means.

Social responsibility

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

Another important social dimension involves the community that ownership in the Club entails. The Club's membership stretches from local bunker barge operators to the world's largest state-owned shipowners. Furthermore, 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. Therefore, the Club serves as a unique platform for creating a community and building relationships beyond political and geographical boundaries.

The Club supports the community by sponsoring The Swedish Sea Rescue Society (SSRS). The SSRS is a non-profit organisation founded by dedicated volunteers in 1907. More than 100 years later, the dedication still runs deep among the volunteers, who are always prepared to be of help whenever someone needs assistance at sea. The Club is also a proud sponsor of the magazine Faktum, a monthly magazine sold by, and for the benefit of, homeless people, raising awareness of the situation and providing a way back.

The Club is also a sponsor of HELMPEA, the Hellenic Marine Environment Protection Association, the pioneering voluntary commitment of Greek seafarers and shipowners to safeguard the seas from ship-generated pollution, undertaken in Piraeus on 4 June 1982. HELMPEA operates under the motto, "To Save the Seas".

Personnel

The Club is a true knowledge company and as such fully dependent on the expertise and well-being of its employees. The Club is dedicated to growing and developing its staff and promoting good health, motivation and commitment, through initiatives encouraging a healthy lifestyle and developing job skills.

Every second year, the Club measures employee engagement and satisfaction through a survey carried out by a third party. Following the survey in 2019, the KPI for employee work satisfaction was significantly higher than the national industry benchmark, and a majority of other KPIs came out better or level with the benchmarks.

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 division is 49% women and 51% men. According to the Club's written policy on equal treatment, the Club shall safeguard equal possibilities for employment, education,

promotion, and development in the work role, regardless of gender, sexual orientation, ethnicity or religion.

The Club shall strive towards an equal division between men and women in the Club's different functions and organisational levels based on merits, and the Club shall facilitate the possibility to combine work with family life. Annual mapping of salaries is carried out to detect undue differences in the salaries between men and women. During 2020, 17 employees (6 men and 11 women) used the possibility of being on paternity leave.

In 2020, the Club followed the guidelines and restrictions issued by local authorities at each location where the Club has offices to safeguard the health and well-being of its employees during the COVID-19 pandemic.

Human rights

Sound business behaviour and compliance with internal and external regulations are 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 under 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 presented to management and the Club's Board on an annual basis. Furthermore, the Club has a whistle-blower policy that enables employees to submit complaints on a confidential basis, through an external law firm, regarding non-compliance, any kind of illegal or unethical activity, or any

other abusive or erroneous behaviour, which has an adverse impact on any individual, the Club, its members, other stakeholders or the environment.

As can be seen above, the Club's work in identifying and mitigating risks include several tools that are used for safeguarding 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 for safeguarding 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.

Notably, the Club's Board has decided to extend the P&I insurance to include financial security, required under the Maritime Labour Convention, for repatriating seafarers (apart from due to illness), as well as four months wages, in case the shipowner fails to pay this cost due to insolvency, in response to a request put forward by the International Labour Organization.

Combating corruption

The Club has zero-tolerance towards corruption and bribery. The Club applies the UK Bribery act as a benchmark for its employee policy, which is more stringent than the equivalent Swedish legislation that would otherwise have applied (in general). An annual sign-off procedure was introduced in 2020, whereby all employees read and sign-off on their understanding of the Club's Ethical Directive, among other policy documents.

To combat corruption, the Club uses a market-leading screening tool provided by World-Check whereby all the Club's members and insured vessels are screened on a monthly basis. 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 the categories above. It is also used to identify and maintain profiles related to individuals convicted of one or more of the predicate offences as defined by the Financial Action Task Force (FATF). The purpose of the screening is to avoid the Club doing business with inappropriate companies or individuals.

In 2020 the Club enhanced its "know your client" routines through which its membership is reviewed. While the Club, being a non-life insurer, is not subject to the Swedish Anti-Money Laundering Act, it has voluntarily introduced a number of measures to enhance its routines for anti-money laundering and countering the financing of terrorism.

During the year, the Club introduced an AIS tracking system enabling it to carry out more in-depth due diligence on vessels' trading patterns to work against illicit trade.

It is noteworthy that illegal acts, as a matter of Swedish law, are uninsurable as being contrary to public policy and good insurance practice. As an example, to enhance this fact, the Club's Rules for P&I insurance expressly excludes liabilities arising from unlawful trade.

In addition, all the Club's Board members, members of the management group and personnel responsible for the Club's central functions (actuary, risk managers, internal audit and compliance) are subject to an equivalent screening process to ensure that regulatory fit and proper standards are met for these individuals.

5



Financial Statements

90% of the world's coffee production takes place in developing countries, but its main consumers are industrialised nations, drinking around two billion cups every day.

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 2020, its 148th 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 (Greece) and branch offices in Hong Kong, London (United Kingdom), and Oslo (Norway). 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). The Club also has accepted reinsurance.

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

There was very good growth for the Club's insurance activities during the year and very good results from investments. The Club's financial position has been consolidated and the solvency requirements as per Solvency II continue to be met with a healthy margin. During 2020, there were an unusually high number of marine insurance claims, which were also costly, throughout the world. The cruise industry was significantly impacted by the pandemic and for all shipping segments the restrictions have resulted in an array of challenges as regards staffing and crew. The Club negotiated additional cost-efficient and risk-limited reinsurance protection for 2021.

Financial overview

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

Result for the period

For 2020, the result before appropriations and tax was USD 3.0 (24.6) 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 2019	228.4	9.3171	2,128.4
Profit/loss for 2020	3.0		-233.3
31 December 2020	231.4	8.1886	1,895.1

Insurance activities

Gross premiums written in 2020 amounted to USD 179 (165) million. Following the deduction of outgoing reinsurance premiums totalling USD 39 (39) million, net premiums written amounted to USD 139 (126) million. Earned premiums, net of reinsurance, amounted to USD 135 (118) million.

Part of investment income is reallocated to insurance activities. The amount is based on the United States Treasury 1-year yield. The transferred investment income amounted to USD 2.8 (4.5) million.

Claims incurred, net of reinsurance, amounted to USD 136 (102) million. Changes in other technical provisions amounted to USD -2.2 (0.5) million. The total costs for net claims incurred were USD 139 million, which corresponds to 103

(86)% of earned premiums, net of reinsurance.

During the year, there were 26 claims reported in excess of USD 500,000. In 2019, there were 24 such claims. For 7 (3) of the claims, the cost before reinsurers' share amounted to more than USD 2 million.

Operating expenses for insurance activities amounted to USD 27.1 (24.4) million. In relation to earned premiums, net of reinsurance, this corresponds to 20 (21)%.

The balance on the technical account amounted to USD -28 (-3) million.

The combined ratio was 123 (106)%.

The claims cost increase reflects a historically high claims outcome for the company and the industry. The outcome is higher than the long-term trend, yet still within the scope of what could be expected in any given year.

Result by class of insurance

The combined ratio for P&I was 146 (110)%. Earned premiums, net of reinsurance, amounted to USD 67 (67) million. Claims cost for other clubs' pool claims for the current year was USD 17 million in 2020 and it was USD 14 million in 2019. Claims incurred, net of reinsurance, increased from USD 59 million in 2019 to USD 84 million in 2020. The loss ratio for the year was 126 (88)%. As of 31 December 2020, the P&I portfolio, including Charterer's liability, consisted of 2,231 (2,233) vessels with gross tonnage of 86 (85) million.

 The soya bean (*Glycine max*) is a species of legume native to East Asia.

The combined ratio for FD&D was 101 (100)%. As of 31 December 2020, the FD&D portfolio consisted of 1,320 (1,517) vessels with gross tonnage of 54 (53) million. Earned premiums, net of reinsurance, amounted to USD 7.2 (6.8) million. Claims incurred, net of reinsurance, increased from USD 5.8 million in 2019 to USD 6.1 million in 2020. The loss ratio for the year was 85 (85)%.

The combined ratio for Marine & Energy was 100 (102)%. Earned premiums, net of reinsurance, amounted to USD 61 (44) million. Claims incurred, net of reinsurance, increased from USD 36 million in 2019 to USD 49 million in 2020. The loss ratio for the year was 80 (82)%.

At the end 2020 the Marine & Energy portfolio consisted of 4,226 (3,615) vessels, with gross tonnage of 192 (151) million and covered insured value of USD 11.6 (12.8) billion. The number of vessels insured for Loss of Hire was 939 (1,055) with a gross tonnage of 37 (36) million.

Investments

The financial result, including exchange rate differences amounted to USD 33.9 (32.1) million. The result from interest-bearing securities was USD 15.6 (15.3) million. The result for quoted shares amounted to USD 12.0 (17.4) million and the result for other financial income and expenses amounted to USD -0.1 (-0.2) million.

The result for forward exchange contracts was USD 3.3 (0.3) million. The valuation of investment assets into USD resulted in exchange gains 2.4 USD (-0.6) million. Other exchange differences amounted to USD 0.5 (-0.1) million.

The Club signs hedge contracts to reduce risk for currency exchange rates fluctuations in the USD accounting.

At the end of 2020, the value of the Club's investments amounted to USD 397 (355) million, of which 79 (79)% consists of interest-bearing securities, 20 (21)% is equity funds and 1 (0)% is forward exchange agreements.

Balance sheet

For 2020, the provision for claims outstanding was USD 279 (238) million.

The value of the Club's investments amounted to USD 397 (355) million.

At year-end, Hydra receivables (see Note 2, in the section on counterparty risks) had an estimated value equivalent to USD 9 (11) 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/esg-and-sustainability/.

Significant events after the balance sheet date

After the balance sheet date, insurance activities have developed in line with the established goals and expectations. The Swedish Club does not have any significant events to report on items that have not previously been communicated but relate to periods up to the balance sheet date.

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 107 (see Note 30 for more information).

The maximum total cost of the bonus program for employees has been set at 10% of the Club's salary costs including social security expenses. No provision for bonuses was made in 2020.

Note 30 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

An Internal Capital Model (ICM) is used for calculating and monitoring the risks. The model is a key component of the Club's process for Own Risk and Solvency Assessment (ORSA). It is also an important control mechanism for calibrating capital needs.

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

Other

The annual credit valuation of The Swedish Club, carried out by Standard & Poor's, resulted once again in a rating of A- with stable outlook, which was made public in January 2021. Also, the credit rating agency AM Best confirmed its rating of A- with stable outlook in that same month.

Prospects for 2021

The performance of most countries' economies was very weak or negative in 2020 due to the outbreak of COVID-19. The prerequisites for some level of global economic recovery in 2021 are assessed as relatively good as more and more are vaccinated.

For 2021, the Club will be prioritising price recovery over volume growth. We anticipate that total claims cost for 2021 will be significantly lower compared to 2020, which stood out as a highly unusual year with a negative claims outcome that is not likely to be repeated frequently. We expect the rate of favourable development in stock markets experienced during 2020 and the start of 2021, to taper off throughout the remainder of the year. Our assessment is that the Club's competitive strength and strong financial position will provide resilience to get through this crisis, which should offer comfort to all our business partners and members.

With the intention of further strengthening the Club's competitiveness and market offering, an initiative aimed at establishing branches in Hong Kong and Singapore has started.

Considering the level of reported claims, insurance activities have developed in accordance with plan during the start of the year. However, as in 2020, direct marketing and sales activities will be conducted in digital forums rather than meetings that require travel, which is in line with the recommendations of the Swedish Public Health Agency and other relevant authorities.

 Flowers of soya bean are very small and are white, pink or purple. Not all flowers will result in a pod.

Five-year summary

Amounts in USD millions.	2020	2019	2018	2017	2016
Income statement					
Earned premiums, gross	173.8	157.4	146.1	153.3	167.3
Earned premiums, for own account	134.7	118.2	111.2	117.5	130.5
Investment income, allocated from non-technical account	2.8	4.5	5.2	5.1	4.7
Claims, for own account	-138.5	-101.3	-86.6	-98.1	-103.0
Refunds and P&I discounts	-	-	-4.4	-3.4	-
Net operating expenses	-27.1	-24.4	-23.9	-24.8	-25.4
Balance on technical account	-28.2	-3.0	1.5	-3.7	6.8
Balance on non-technical account	31.1	27.7	-11.1	22.6	5.0
Result before appropriations and tax	3.0	24.6	-9.6	18.8	11.8
Financial position					
Free reserves	231.4	228.4	203.8	213.5	194.9
Free reserves/Provision for claims outstanding for own account	110%	123%	123%	116%	104%
Deferred tax liability included in free reserves	54.5	51.3	45.5	51.5	45.6
Eligible Own Funds, in accordance with Solvency 2	297.3	298.0	277.7	288.2	215.6
Basic own funds	232.8	244.3	229.2	234.1	215.6
Ancillary own funds	64.5	53.7	48.4	54.1	-
Minimum Capital Requirement (MCR)	41.8	35.6	29.9	33.6	35.4
Solvency Capital Requirement (SCR)	129.0	107.4	96.8	108.2	118.5
Eligible Own Funds/SCR	230%	277%	287%	266%	182%
Basic Own Funds/SCR	180%	227%	237%	216%	182%
Investment assets at fair value	397.3	354.6	345.2	375.8	351.5
Technical provisions, for own account	251.3	221.6	193.6	214.4	220.1
Key data insurance business					
Loss ratio	103%	86%	78%	83%	79%
Expense ratio	20%	21%	21%	21%	19%
Combined ratio	123%	106%	99%	104%	98%
Average Expense Ratio (AER)	12.8%	13.2%	13.8%	13.4%	13.3%
Key data asset management					
Total return	7.7%	8.8%	-1.1%	6.2%	2.8%

Definitions are provided on page 79

Income statement

For the financial year January through December 2020.

Amounts in USD thousands.

	Note	2020	2019
Technical account			
Earned premiums, net of reinsurance			
Premiums written, gross	3	178,869	165,277
Outward reinsurance premiums		-39,396	-39,258
Change in provision for unearned premiums		-5,031	-7,916
Reinsurers' share of change in provision for unearned premiums		224	98
		134,666	118,201
Investment income transferred from the non-technical account	4	2,800	4,500
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-129,515	-103,194
Reinsurers' share		18,017	21,492
		-111,498	-81,702
Change in provision for claims outstanding			
Before outgoing reinsurance		-41,064	-12,988
Reinsurers' share		16,172	-7,172
		-24,892	-20,160
		-136,390	-101 862
Change in other technical provisions	6	-2,157	534
Net operating expenses	7, 8, 30	-27,069	-24,418
Balance on technical account		-28,150	-3,045
Non-technical account			
Balance on the technical account		-28,150	-3,045
Financial result			
Financial income	9	20,708	4,805
Unrealised gains on investments	10	13,676	28,458
Financial costs	11	-440	-1,113
Unrealised losses on investments	12	-	-
		33,944	32,150
Allocated investment income transferred to the technical account	4	-2,800	-4,500
Result before appropriations and tax		2,994	24,605
Appropriations: change in safety reserve		-3,016	1,513
Result before tax		-22	26,118
Tax on result for the year	23	-2,584	-6,090
Profit/loss for the financial year		-2,606	20,028

Balance sheet

As of 31 December. Amounts in USD thousands.

	Note	2020	2019
Assets			
Intangible assets			
Intangible assets	13	0	10
		0	10
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	14	11	11
Other financial investment assets			
Quoted shares	15	79,982	72,914
Bonds and other interest-bearing securities	16	313,654	281,383
Forward exchange agreement	17	3,648	306
		397,295	354,614
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	3,778	3,554
Provision for claims outstanding	18	67,797	51,626
		71,575	55,180
Receivables			
Receivables related to direct insurance operations	19	121,300	120,132
Receivables related to reinsurance operations		326	3,254
Other receivables		1,166	866
		122,792	124,252
Other assets			
Tangible assets	20	527	595
Cash and bank balances		24,757	28,439
Other assets	21	9,952	12,023
		35,236	41,057
Prepaid expenses and accrued income			
Prepaid acquisition costs		4,759	4,248
Other prepaid expenses and accrued income		926	675
		5,685	4,923
Total assets		632,583	580,036

As of 31 December. Amounts in USD thousands.	Note	2020	2019
Equity, provisions and liabilities			
Equity			
Statutory reserve		61	54
Accumulated profit or loss		3,230	-16,798
Profit or loss for the financial year		-2,606	20,028
Translation difference capital		614	781
		1,299	4,065
Untaxed reserves			
Safety reserve		219,848	216,833
Equalisation reserve		1,314	1,155
		221,162	217,988
Technical provisions before reinsurers' share			
Provision for unearned premiums	18	43,758	38,727
Provision for claims outstanding	18	279,105	238,041
		322,863	276,768
Provision for other risks and charges			
Pensions and similar obligations	22	330	354
Deferred tax	23	8,970	6,392
		9,300	6,746
Liabilities			
Liabilities related to direct insurance operations	24	11,073	12,213
Liabilities related to reinsurance operations		58,466	54,536
Other liabilities	25	6,600	6,185
		76,139	72,934
Accrued expenses and deferred income			
Accrued expenses		1,820	1,535
		1,820	1,535
Total equity, provisions and liabilities		632,583	580,036

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 2019-01-01	56	-15,683	734	-1,116	-16,009
Carried forward	-	-1,116	-	1,116	-
Profit/loss for the year	-	-	-	20,028	20,028
Change in translation difference capital	-2	1	47	-	46
Balance carried forward 2019-12-31	54	-16,798	781	20,028	4,065
Balance brought forward 2020-01-01	54	-16,798	781	20,028	4,065
Carried forward	-	20,028	-	-20,028	-
Profit/loss for the year	-	-	-	-2,606	-2,606
Change in translation difference capital	7	-	-167	-	-160
Balance carried forward 2020-12-31	61	3,230	614	-2,606	1,299

Profit/loss for the year includes unrealised gains/losses on investments. Deferred tax has been calculated on that portion. See Note 23.

Note 1. Accounting principles

Statement of compliance with regulations applied

The annual report has been prepared in accordance with the Law of Annual Reports in Insurance Companies (ÅRFL) and The Swedish Financial Supervisory Authority's rules, and regulations regarding annual reports for insurance companies (FFFS 2019:23) 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 2019:23. This means that all of the EU approved IFRS and statements have been applied, to the extent possible given Swedish law and with consideration given to 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 accounting currency since most of the Club's income and expenses are in USD. It is also the most significant currency used when making 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 assets and liabilities are registered in the original currency and converted to USD and to SEK at the end of the reporting period. This has the effect that the result in the two reporting currencies differs as the bulk of the balance sheet consists of USD. See Note 2.

This report does not include 'Performance analysis per class of insurance', instead it is included on page 76.

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 assets classified as financial assets measured at fair value through profit or loss.

Assessments and estimates made when preparing the financial statements

To prepare the financial 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 experience and several 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 clear 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 influences 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 including changes in the Club's commitment for the International Group of P&I Club's framework, changes in legislation, judicial decisions, and general economic development. See also Note 2 (Risk management and risk analysis).

The assessed value of Hydra receivables corresponds to the Club's share of the captive company, Hydra.

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 Club

As of 1 January 2020, Finansinspektionen's (the Swedish Financial Supervisory Authority) regulations and general guidelines regarding annual reports at insurance undertakings (FFFS 2015:12) has been replaced by Finansinspektionen's regulations and general guidelines regarding annual reports at insurance undertakings and institutions for occupational retirement provision (FFFS 2019:23). With the new regulations, the requirement of preparing a cash flow statement for unlisted companies in a legal entity has been removed, since it is not stated in law. The Club therefore no longer prepares this.

The change has not resulted in any other significant changes in relation to the preparation of the annual report.

None of the other new standards or amendments that enter into force as of 1 January 2020 have had a significant impact on the Club's financial statements.

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

Several new international accounting standards, along with revisions to standards and interpretations will come into force as of the next financial year and the Club has not opted for early adoption when preparing these financial statements. The Club has no plans to elect early adoption on new or revised standards.

IFRS 17 enters into force on 1 January 2023. It is expected that the EU will endorse the standard for use during 2021. Early adoption is allowed for companies that simultaneously apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

The Swedish Financial Supervisory Authority (Finansinspektionen) has a project investigating how IFRS 17 will be adopted in Swedish legal entities and in the consolidated financial statements for unlisted Swedish insurance groups. The Swedish Club follows the development closely.

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 for own account

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).

The provision for unearned premiums for own account is revalued using the closing day rate of exchange. The result of this revaluation is shown under the heading "Investment income" or "Investment costs".

Premiums earned for own account

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).

The provision for unearned premiums for own account is revalued using the closing day rate of exchange. The result of this revaluation is shown under the heading "Investment income" or "Investment costs".

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. It is based on the interest rate that corresponds to the United States 1-year bond yield at the beginning of the year in relation to the provisions for claims outstanding net of reinsurance. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment.

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 reporting of the provision for outstanding claims has been adjusted such that the assessed net exposure has been divided up into gross provision and gross recourse. The reason for this is that it has been possible to identify distinct counterparties as regards the expected recourse.

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. The result of this revaluation is shown under the heading "Investment income" or "Investment costs". The change in the provision for claims outstanding, net of reinsurance, is herewith reported, excluding the foreign exchange revaluation of claims outstanding.

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 11).

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
- Forward exchange agreements

Items reported as liabilities or equity include:

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

Reporting of financial assets and removal from the balance sheet

A financial asset or financial liability is reported in the balance sheet when the Club becomes a party to the instrument's contractual terms (economic approach), except for instances when the Club acquires or disposes listed securities (for these, cash/settlement approach is applied). Accounts receivable are reported in the balance sheet when an invoice has been sent. A liability is reported when the counterparty has completed performance, and there is a contractual liability to pay, even if the invoice has not yet been received. Accounts payable, however, are reported when the invoice has been received. A financial asset is removed from the balance sheet when the rights in the agreement have been realised, expire or when the company loses control over them. The same applies to part of a financial asset. A financial liability is

removed from the balance sheet when the obligation in the agreement has been fulfilled or in some other way extinguished. The same applies to part of a financial liability.

Offset of financial instruments

Offsetting of a financial asset and financial liability and reporting them at a net amount in the balance sheet only occurs when there is a legally enforceable right of set-off and the intention either to settle on a net basis or realise the financial asset and settle the financial liability simultaneously.

Classification and measurement of financial assets

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.

Financial instruments 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.

- Financial assets measured at fair value through profit or loss

All the Club's investment assets and forward exchange contracts are measured at fair value through profit or loss. For bonds and other interest-bearing securities, this measurement method is used because they are continually measured based on their fair value.

Measurement of the Club's investment assets at fair value is at the current buying rate based on prices quoted on an active market (Level 1).

- Financial assets measured at amortised cost

These are balance sheet assets reported in the categories "other receivables" and "cash and bank balances". Both are measured at amortised cost. Amortised cost is determined based on the effective rate of interest calculated at the time of the acquisition. Bank deposits have

repayment cover. As such, anticipated credit losses are insignificant since the investments are secured by the Swedish State.

Classification of financial liabilities

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

Determination 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.

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.

Tangible assets

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 to obtain economic benefits.

Associates are companies in which the Group 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 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 SPP 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. Most 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

Because the Club reports leasing in accordance with RFR 2 Accounting for Legal Entities, it is granted an exemption from the principles contained in IFRS 16. As such, there will be no change in how the Club reports leases.

The Club has operating leases consisting of leases for premises, cars and office machines for the duration stated in the agreement for each of these. 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, "Investment income or Investment costs".

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

Currency (equals 1 USD)	2020	2019
Swedish kronor (SEK)	8.1886	9.3171
British pound (GBP)	0.7386	0.7628
Euro (EUR)	0.8158	0.8930
Hong Kong dollar (HKD)	7.7522	7.7863
Norwegian kroner (NOK)	8.5780	8.8072

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 of 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 management, 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.

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 AM 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 Solvency II directive.

Structure of corporate governance and allocation of responsibilities

Annual General Meeting

The Annual General Meeting (AGM) is the highest decision-making body, and it consists of all members. The AGM elects the Board of Directors and members of the Election 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 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 24 members, including the Managing Director and two employee representatives.

Election Committee

The Club's Election Committee is responsible for suggesting new Board members and members of the Election

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 has a dialogue with the senior management team on key areas including changes in investment allocation, audit, compliance with regulations, premiums, and receivables. 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 Director Finance, Risk Management & IT.

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, central functions and five geographic teams. The geographic teams are mostly independent in terms of daily operations. However, many of the organisation's functions have been centralised, as illustrated in figure 2.1.

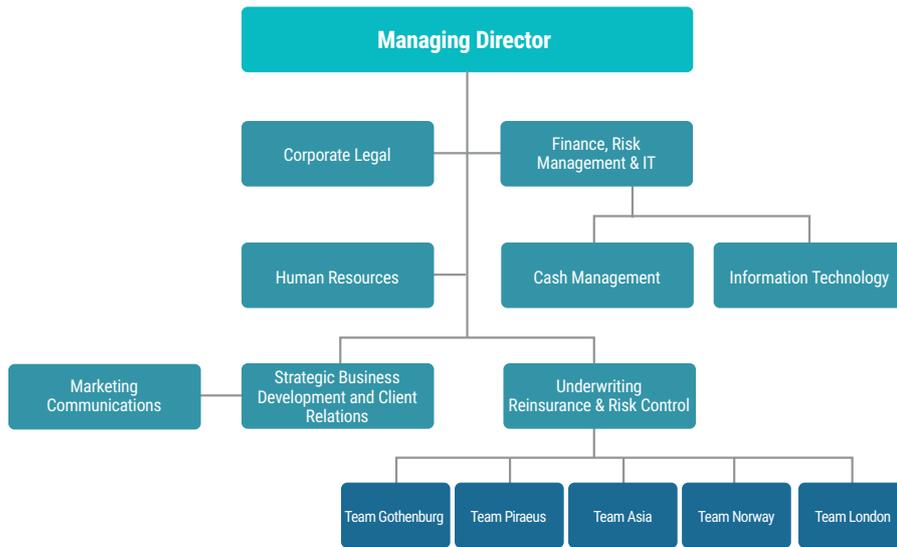
The work and responsibilities for each component of the organisational structure must be well-defined, allocated and coordinated. Relevant processes are described and documented in the Club's management system.

The Club has a senior management team consisting of six members.

Internal control

There are three levels of internal control applied to the organisation. The first level

Figure 2.1. Organisation and internal control



of internal control occurs through the operational functions, as illustrated in figure 2.2. 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 the internal audit, with an internal auditor that has been appointed by the Board.

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 the 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.

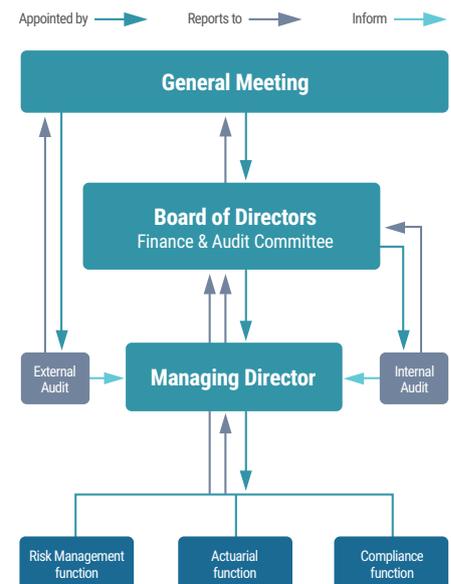
Compliance function

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 organisation whenever new policies, routines and instructions need to be created.

The CCO is responsible for designing methods and routines for control of

Figure 2.2. Allocation of responsibilities



The figure illustrates important information flows and allocation of responsibilities.

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 compliance 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 insurance classes, as well as variations in investment income. The Club is also exposed to a number of other risks.

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

Insurance risks

Insurance risk consist of *underwriting risk*, *reserving risk* and *concentration risk*.

Effective management of underwriting risks is fundamental to The Club's operations. A 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 quarterly 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.

Vessels are sometimes insured in several classes of insurance. In these cases, the same incident can lead to claims in more than one class of insurance (*concentration risk*). Based on how the different reinsurance protections have been set up, this could affect the allocation of claims costs between reinsurers and the Club. It primarily concerns the insurance classes shown in the table below.

Exposure	Vessels	H&M ¹⁾	P&I ²⁾	LH ¹⁾	Hull Interest ¹⁾
Four classes	136	X	X	X	X
Three classes	32	X	X	X	
	427	X	X		X
	514	X		X	X
	0		X	X	X
Two classes	73	X	X		
	96	X		X	
	2,104	X			X
	26		X	X	
	0		X		X
	29			X	X
Vessels by class of insurance		4,226	1,407	966	3,432
Total number of vessels			5,349		

¹⁾Incl. Energy risks ²⁾P&I Owners

The table shows the concentration of insurance classes per vessel as of 31 December 2020: 2.5% of vessels were exposed to four insurance classes, 18.2% to three classes and 43.5% to two classes.

The weighted average duration for outstanding claims is 2.8 years.

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 experience of the number and extent of claims reported for prior accounting years.

Development of claims

The table below 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 2020).

The table below shows the development of claims in USD thousands.

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

Insurance year	2015	2016	2017	2018	2019	2020
Estimated final claims cost (net) at the end of:						
claim year	130,969	108,087	112,058	93,428	108,757	125,892
one year later	139,055	110,709	118,168	101,720	121,670	
two years later	133,715	114,455	114,493	105,077		
three years later	125,579	109,196	113,996			
four years later	123,837	112,560				
five years later	123,296					

of the Reinsurance Department. Each year, a Reinsurance Risk Assessment Report is compiled, which is used to ensure that the costs for reinsurance are optimal given the anticipated risk, results, volatility, and capital needs. 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 long-term relationships with some of the world's leading reinsurance companies. For P&I, the reinsurance is based on the cooperation within the International Group of P&I Clubs, where claims costs between USD 10 million and USD 100 million are shared (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 70 million in excess of USD 30 million and part of the layer USD 750 million in excess of USD 100 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 two reinsurance contracts for the clubs:

- 100% of the coverage between USD 30 and 100 million.
- Maximum USD 100 million of the coverage between USD 100 and 750 million.

The Swedish Club's share of the business in Hydra is approximately 4%. For more information on International Group see www.igpandi.org.

The Swedish Club has a reinsurance solution for the level USD 8.5 million in excess of USD 1.5 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 1.5 million per combined claim. With this structure, the Club retains all claims in the layer USD 8.5 million in excess of USD 1.5 million during a normal claims year by means of an annual aggregated deductible of USD 26.5 million. The reinsurance is only settled in a claims year when the claims in this layer exceed the annual aggregated deductible.

Reinsurance purchasing has been centralised to one department 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 A- (Standard & Poor's) or A3 (Moody's).

During 2020, no participating reinsurer was rated below A by Standard & Poor's.

In connection with claims handling, the Club occasionally accepts guarantees from counterparts. 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 2020, outstanding premiums older than 3 months were 0.6 (1.3)% of the 2020 gross premium.

Operational risk

The Club is exposed to operational risks. 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.

Operational risks also include external events, such as the outbreak of a pandemic and how that affects the organisation.

Financial risk

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. 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 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 increased from USD 27 million at the beginning of the year to USD 29 million at the end of 2020, which is in line with the goal of keeping risk exposure within the

tolerance limit, which is 30 per cent of free reserves. Performance and other factors are measured and reported to the Managing Director monthly.

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 2020, the duration of fixed income securities was 2.1 (2.1) years. A change in interest rates of 1% would result in a change in the value of the bond portfolio of approximately USD 6 (6) million.

Currency exposure for the Club's most important currencies (see the table, below) was, as of 31 December 2020 USD 39.8 (33.6) 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.

20% of the Club's investments are shares. All exposure in shares 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.

Currency exposure	EUR	GBP	SEK
Investment assets	28,971	-	3,659
Receivables	5,415	898	2,171
Other assets	875	1,082	1,580
Total assets	35,261	1,980	7,410
Equity and untaxed reserves	-	-	-
Technical provisions, net	-1,800	-31	-116
Other liabilities and provisions	-310	43	-2,594
Total liabilities and provisions	-2,110	12	-2,710
Net exposure	33,151	1,992	4,700

Credit risks are associated with the following items: risk of bond failures, reinsurance compensations, receivables from members and guarantees from counterparts.

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 314 (281) million invested in fixed income products.

Liquidity risk is low over the short term since the majority of the investment portfolio can be converted to cash within a few days. The Club is not, therefore, dependent on financing from capital markets.

Creditworthiness for classes of financial assets at the fair value ¹⁾	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	24,856	11,154	4,686	7,538	1,424
Other foreign issuers	6,981	17,476	69,818	89,281	65,310
Total	31,837	28,630	74,504	96,819	66,734

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

2020	Financial assets measured at fair value through profit or loss	Loans receivables measured at amortised cost	Total carrying amount	Fair value
Assets designated as belonging to this category				
Financial assets				
Shares	79,982	-	79,982	79,982
Bonds and other interest - bearing securities	313,654	-	313,654	313,654
Forward exchange agreement	3,648	-	3,648	3,649
Other receivables	-	336	336	- ¹⁾
Cash and bank balances	-	24,757	24,757	- ¹⁾
Other assets	-	713	713	- ¹⁾
Total financial assets	397,284	25,806	423,090	397,284

2020	Other financial liabilities measured at amortised cost	Total carrying amount	Fair value
Assets designated as belonging to this category			
Financial liabilities			
Other liabilities	6,192	6,192	- ¹⁾
Total financial liabilities	6,192	6,192	-

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

2019	Financial assets measured at fair value through profit or loss	Loans receivables measured at amortised cost	Total carrying amount	Fair value
Assets designated as belonging to this category				
Financial assets				
Shares	72,914	-	72,914	72,914
Bonds and other interest - bearing securities	281,383	-	281,383	281,383
Forward exchange agreement	306	-	306	306
Other receivables	-	188	188	- ¹⁾
Cash and bank balances	-	28,439	28,439	- ¹⁾
Other assets	-	627	627	- ¹⁾
Total financial assets	354,603	29,254	383,857	354,603

2019	Other financial liabilities measured at amortised cost	Total carrying amount	Fair value
Assets designated as belonging to this category			
Financial liabilities			
Other liabilities	5,640	5,640	- ¹⁾
Total financial liabilities	5,640	5,640	-

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 based on 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.

Level 3

The Club does not use any valuation methods relying on data that cannot be observed in the market.

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.

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 2020 was USD 129.0 million and eligible own funds were USD 297.3 million.

2020	Level 1	Level 2	Level 3	Total
Shares	79,982	-	-	79,982
Bonds and other interest-bearing securities	297,907	15,746	-	313,653
Forward exchange agreements	3,649	-	-	3,649
Total	381,538	15,746	-	397,284

Note 3.

Premiums written, gross, by geographic area	2020	2019
China	38,426	36,184
Greece	31,996	32,553
Germany	26,723	24,617
Singapore	14,685	11,940
Norway	11,913	10,313
Sweden	10,332	10,653
Hong Kong	7,756	8,693
Other countries	37,038	30,323
	178,869	165,277

Note 4.

Investment income transferred from the non-technical account	2020	2019
Allocated investment income transferred to the technical account	2,800	4,500

The Club uses a model for the calculation of transferred investment income. It is based on the interest rate that corresponds to the United States 1-year bond yield at the beginning of the year in relation to the provisions for claims outstanding net of reinsurance. The interest rate used corresponds to expected 1-year US Government bond rate. For 2020 the rate used was 1.6% (the actual yield was 8.2%).

	2020	2019
Average interest rate	1.6%	2.6%

Note 5.

Claims paid	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Current year:						
Claims Paid	-40,657	1,481	-39,176	-32,031	903	-31,128
Claims Handling Costs	-9,423	-	-9,423	-9,709	-	-9,709
Previous years:						
Claims Paid	-79,435	16,536	-62,899	-61,454	20,589	-40,865
	-129,515	18,017	-111,498	-103,194	21,492	-81,702

Note 6.

Change in other technical provisions	2020	2019
Value change, Hydra	-2,157	534
	-2,157	534

This income item reflects the change in value of receivables on Hydra. See Note 21.

Note 7.

Net operating expenses	2020	2019
Specification of net operating expenses reported in the income statement:		
Acquisition costs	-15,814	-14,058
Change in prepaid acquisition costs	511	1,465
Internal operating expenses for acquisition of insurance contracts	-6,895	-6,499
	-22,198	-19,092
Administrative expenses	-4,871	-5,326
Net operating expenses	-27,069	-24,418
Allocation of other operating expenses in the income statement:		
Claims handling expenses reported as claims paid	-9,423	-9,709
Finance administrative expenses reported as Financial costs, Note 11	-320	-305
	-36,812	-34,431
Total operating expenses analysed under the following categories:		
Advertising and selling expenses	-404	-940
Personnel costs	-15,105	-14,313
Travel expenses	-113	-865
Cost of premises	-1,540	-1,478
Office expenses	-1,335	-1,362
External services and fees ¹⁾	-2,936	-2,767
Depreciation	-178	-209
Charged claims handling cost	3,438	3,598
Other revenue	187	222
External acquisition costs	-15,303	-12,592
Costs for The Swedish Club Hong Kong Limited	-3,523	-3,725
	-36,812	-34,431
¹⁾ <i>Operating expenses includes remuneration to PwC</i>		
Audit assignment	-116	-113
- of which concerns PwC Sweden	-84	-84
Tax advice services (nothing concerns PwC Sweden)	-8	-
Other services	-4	-1
- of which concerns PwC Sweden	-2	-

Note 8.

Operational leasing	Machinery & Equipment	Buildings & Premises
Fees due		
Year 2020	81	1,835
1 year	59	1,663
2 - 5 years	33	4,214
> 5 years	-	-

The company has operational leasing agreements, mainly rental agreements for premises, that are presented above.

Note 9.

Financial income	2020	2019
Dividends on quoted shares	219	240
Interest income		
Bonds and other interest-bearing securities	222	225
Other interest income	315	269
	537	494
Gains on foreign exchange, net	2,937	-
Gains on the realisation of investments, net:		
Quoted shares	3,337	4,071
Bonds and other interest-bearing securities	13,501	-
Forward exchange agreement	177	-
	19,952	4,071
	20,708	4,805

Note 10.

Unrealised gains on investments	2020	2019
Quoted shares	8,445	13,117
Bonds and other interest-bearing securities	1,889	15,035
Forward exchange agreement	3,342	306
	13,676	28,458

Note 11.

Financial costs	2020	2019
Internal management expenses	-320	-305
External management expenses	-120	-131
Losses on foreign exchange, net	-	-677
	-440	-1,113

Note 12.

Unrealised losses on investments	2020	2019
Not applicable	-	-
	-	-

Note 13.

Intangible assets	2020	2019
Capitalised expenditure, software system		
Opening accumulated costs	4,708	4,890
Acquisitions	-	-
Revaluation of accumulated acquisition costs	649	-182
Closing accumulated costs	5,357	4,708
Opening accumulated depreciation	-4,698	-4,841
Depreciation for the year	-10	-36
Revaluation of depreciation	-649	179
Closing accumulated depreciation	-5,357	-4,698
	0	10

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

Note 14.

Shares in group and associated companies	2020	2019
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, The Swedish Club Hong Ltd, which, in accordance with the Swedish Annual Accounts Act, has not been consolidated since the subsidiary company is of lesser importance regarding true and fair view requirements.

The Club's ownership share of The Swedish Club Academy is 50%.

Information about The Swedish Club Academy AB:

CIN: 556798-1435

Registered office: Göteborg, Sweden

Information about The Swedish Club Hong Kong Limited:

CIN: 15065077-001-09-19-0

Registered office: Hong Kong

Note 15.

Quoted shares	2020	2019
Quoted shares at fair value	79,982	72,914
	79,982	72,914

Costs of quoted shares USD 60,384 (61,763) thousands.

Quoted shares are specified in the table below:

Name	Number	Cost	Fair value
Mercer Passive Global Equity UCITS Fund	378,226	40,624	55,807
Mercer Low Volatility Equity Fund	81,932	13,247	15,915
MGI Emerging Markets Equity Fund	61,370	6,513	8,260
		60,384	79,982

Note 16.

Bonds and other interest-bearing securities

2020	Nominal value	Cost	Fair value	Carrying amount
Bond funds		293,353	313,654	313,654

2019	Nominal value	Cost	Fair value	Carrying amount
Bond funds		262,972	281,383	281,383

Note 17.

Forward exchange agreements	2020	2019
Forward exchange agreement at fair value	3,648	306
	3,648	306

Note 18.

Technical provisions	2020			2019		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for claims outstanding						
Opening balance, provision for reported claims	210,049	-50,426	159,623	188,521	-56,398	132,123
Opening balance, provision for incurred not reported (IBNR)	27,992	-1,200	26,792	36,532	-2,400	34,132
Opening balance	238,041	-51,626	186,415	225,053	-58,798	166,255
Claims occurred during the current year	133,919	-19,602	114,317	106,661	-7,078	99,584
Claims paid current year	-120,092	18,017	-102,075	-93,485	21,492	-71,993
Change in expected cost for claims occurred previous years (run-off result)	27,237	-14,586	12,651	-188	-7,242	-7,431
Closing balance	279,105	-67,797	211,308	238,041	-51,626	186,415
Closing balance, reported claims	250,176	-66,597	183,579	210,049	-50,426	159,623
Closing balance, provision for incurred not reported (IBNR)	28,929	-1,200	27,729	27,992	-1,200	26,792
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unearned premiums						
Opening balance	38,727	-3,554	35,173	30,811	-3,456	27,355
Insurance contracts signed during the period	43,758	-3,778	39,981	38,727	-3,554	35,173
Premiums earned during the period	-38,727	3,554	-35,173	-30,811	3,456	-27,355
Closing balance	43,758	-3,778	39,981	38,727	-3,554	35,173

The provision is treated as USD. No exchange differences therefore arise. 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 352 (416) thousands.

Note 19.

Receivables related to direct insurance operations	2020	2019
Policyholders (members)	44,243	43,751
Insurance brokers	30	19
Insurance companies	1,845	3,981
Other	75,182	72,381
	121,300	120,132

Note 20.

Tangible assets	2020	2019
Machinery and equipment		
Opening accumulated cost	2,980	3,036
Acquisitions	34	55
Sales and disposals	-	-
Revaluation of accumulated purchase prices	415	-111
Closing accumulated cost	3,429	2,980
Opening accumulated depreciation	-2,385	-2,296
Reversed depreciation on tangible assets sold	-	-
Depreciation for the year	-168	-173
Revaluation of depreciation	-349	84
Closing accumulated depreciation	-2,902	-2,385
	527	595

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

Note 21.

Other assets	2020	2019
Receivables, Hydra	9,239	11,396
Other assets	713	627
	9,952	12,023

Note 22.

Pensions and similar obligations	2020	2019
Provision pensions	325	299
Provisions for deferred non-vested pension	5	55
	330	354

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 1,896 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 1,208 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 provisions include the capital value of pension obligations for prior senior executives, which amounts to USD 232 (213) thousands. Pension payments for the year amounted to USD 46 thousands.

Note 23.

Taxes	2020	2019
Tax on result for the year		
Deferred tax ¹⁾	-2,578	-6,090
Other taxes	-6	0
Closing accumulated cost	-2,584	-6,090

¹⁾Tax rate 20.6%. Current years deferred tax is assignable to unrealised value changes in investment assets.

Change in provision for deferred tax		
Opening balance	6,392	302
Change recognised in income statement	2,578	6,090
Closing balance	8,970	6,392

Change in provision for deferred tax reported in untaxed reserves		
Opening balance	42,974	43,295
Change reported in untaxed reserves	654	-321
Closing balance	43,628	42,974

Note 24.

Liabilities related to direct insurance operations	2020	2019
Policyholders (members)	3,387	4,838
Insurance brokers	5,777	5,558
Insurance companies	1,909	1,817
	11,073	12,213

Note 25.

Other liabilities	2020	2019
Trade creditors	331	307
Other creditors	6,269	5,878
	6,600	6,185

Note 26.

Expected settlement of assets and liabilities

Approximately 60% of the provision for claims outstanding is expected to be paid more than 12 months in the future. 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.

Note 27.

Memorandum items	2020	2019
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.	49,590	112,035
Bonds other	248,318	152,617
Quoted shares	79,982	72,914
Investment fund	15,746	16,732
Cash and bank balances	19,007	24,012
Receivables related to direct insurance operations	31,558	25,299
	444,201	403,609
Technical provisions, net	251,288	221,588
Surplus of registered assets	192,913	182,021
	444,201	403,609

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 2.9 (2019: 0.5) million. There is also a bank guarantee on lease amounting to USD 0.1 (0.1) million.

Note 28.

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 3.5 million to its subsidiary in Hong Kong. This was for operating costs in 2020. In addition, a receivable is reported in the balance sheet for USD 0.3 million.

Note 29.

Significant events after the balance sheet date

After the balance sheet date, insurance activities have developed in line with established goals and expectations. The Swedish Club does not have any significant events to report on items that have not previously been communicated but relate to periods up to the balance sheet date

Note 30.

Personnel	2020	2019
Average number of employees:		
Sweden	80	76
Greece	18	18
Norway	6	6
Hong Kong ¹⁾	1	1
United Kingdom	2	1
	107	102
Of which women	48%	48%
Women in management team	33%	17%
Salaries and payments:		
Board and senior management	1,406	1,342
whereof bonus payments	-	-
Other employees	7,941	7,328
Payroll overhead:		
Other employees	4,874	4,744
whereof pensions costs to Board and senior management	461	544
whereof pension costs to other employees	1,420	1,301

Fees have been paid to Board members during the year in accordance with the Annual General Meeting (AGM) decision. The AGM decides on how remuneration to the Board shall be allocated between the Chairman of the Board and the other Board members. No fees are paid to a Board member who is employed by the company. No variable remuneration is paid to the Board members.

The Managing Director's remuneration is decided by the Chairman of the Board and remuneration to other senior executives is decided by the Managing Director. Remuneration to the Managing Director and other senior executives consists of basic salary, other benefits, and pensions. Other senior executives are individuals who, together with the Managing Director, form the management team. For pension terms, see Note 22. The Managing Director's employment contract states that the Club is required to give notice of termination two years in advance.

¹⁾ The average number of employees in The Swedish Club Hong Kong Limited is 21 (17).

Board members' signatures

Gothenburg, 25 March 2021

L. Simonsson, Chairman of the Board	T. Beis	M. Bodouoglou	R. Chan
P. Claesson	J. Correa	J. Coustas,	D. Dragazis Deputy Chairman
R. Grool	G. Grönberg	Z. Gu	K. Hashim, Deputy Chairman
L. Höglund	A. Källsson	A. Lemos	M. Livijn
J. Lu	T. Tanthuanit	Y. Weng	M. Vinnen
H. Xu	L. Rhodin, Managing Director	K. Rydelid, Employee Representative	A. Fjaervoll, Employee Representative

Our auditor's report was submitted by
Öhrlings PricewaterhouseCoopers AB

Morgan Sandström
Authorised Public Accountant

© Almost 20% of total furniture production in the world is provided by approximately 200 major furniture manufacturing companies.

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Independent auditor's report

To the Board and the Managing Director of The Swedish Club
(Sveriges Ångfartygs Assurans Förening)

Report on the audit of the financial statements

Our opinion

We have audited the financial statements of The Swedish Club (the Company), which comprise the income statement for the year ended December 31, 2020, the balance sheet as at December 31, 2020, the statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of The Swedish Club for the year ended December 31, 2020 are prepared, in all material respects, in accordance with the accounting policies described in the note 1 of these financial statements.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of provisions for claims outstanding</p> <p>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.</p> <p>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.</p> <p>For further description, see the Annual Report note 1, 2 and 18.</p>	<p>Our audit has included, but not exclusively, consisted of:</p> <ul style="list-style-type: none"> • 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.

Basis for opinion

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

We are independent of the Company in accordance with the professional ethical requirements that are relevant to our audit of the financial statements in Sweden and we have fulfilled our other ethical responsibilities in accordance with these professional ethical requirements.

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

Other information

The directors of the Company are responsible for the other information. The other information comprise the information included in the Annual Report 2020 except for the financial statements from page 40 to 71.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other matter

The Company has prepared a separate set of financial statements in SEK for the year ended 31 December 2020 in accordance with the regulations regarding annual reports for insurance companies (FFFS 2019:23), on which we will issue a separate auditor's report for the Sveriges Ångfartygs Assurans Förening. The financial statements have been translated from Swedish to English and from SEK into USD in accordance with the principles laid out in the Note 1 of these financial statements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of these financial statements in accordance with the accounting policies described in the note 1 of these financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Stockholm 2021

Öhrlings PricewaterhouseCoopers AB

Morgan Sandström

Authorised Public Accountant

A person wearing a blue hairnet, glasses, a white surgical mask, and blue gloves is working with industrial machinery in a laboratory or pharmaceutical setting. The person is focused on a task, possibly adjusting a gauge or valve on a piece of equipment. The background shows various pipes and mechanical components.

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Performance analysis per class of insurance

⦿ *European countries are responsible for producing around 80% of the global total of exported drugs and medicines.*

Performance analysis per class of insurance

According to Swedish regulations, there are only reporting requirements per line of business, marine insurance. However, the Club has chosen to disclose information per insurance class. Please see page 79 for an explanation of the classes of insurance.

For the financial year January through December 2020.

Amounts in USD thousands.

		Total	P&I	FD&D	Marine & Energy
Technical account					
Earned premiums, net of reinsurance					
Premiums written, gross		178,869	94,327	7,176	77,366
Outward reinsurance premiums		-39,396	-27,413	-	-11,983
Change in provision for unearned premiums		-5,031	-212	34	-4,853
Reinsurers' share of change in provision for unearned premiums		224	-32	-	257
	A	134,666	66,670	7,210	60,787
Investment income transferred from the non-technical	B	2,800	2,400	0	400
Claims incurred, net of reinsurance					
Claims paid					
Before outgoing reinsurance		-129,515	-79,468	-4,643	-45,404
Reinsurers' share		18,017	15,119	-	2,898
		-111,498	-64,349	-4,643	-42,506
Change in provision for claims outstanding					
Before outgoing reinsurance		-41,064	-26,778	-1,491	-12,794
Reinsurers' share		16,172	9,599	-	6,573
		-24,892	-17,179	-1,491	-6,222
	C	-136,390	-81,529	-6,134	-48,727
Change in other technical provisions	C	-2,157	-2,157	-	-
Net operating expenses	D	-27,069	-13,743	-1,130	-12,196
Balance on technical account	A+B+C+D+E	-28,150	-28,359	-54	263
Financial result		33,944	26,803	1,666	5,475
Allocated investment income transferred to the technical account		-2,800	-2,400	0	-400
Result before appropriation and tax		2,994	-3,956	1,612	5,338
Run-off result (according 5 Chapter 4 § 3 ÅFRL)		-12,651	-11,590	-13	-1,048
Result outward reinsurance		-4,983	-2,727	-	-2,256
Key figures					
Loss ratio [C/A]		103%			
Expense ratio [D/A]		20%			
Combined ratio [(C+D)/A]		123%			

Performance analysis per class of insurance

As of 31 December. Amounts in USD thousands.

	Total	P&I	FD&D	Marine & Energy
Technical provisions				
Before reinsurers' share				
Provision for unearned premiums	43,758	12,692	857	30,209
Provision for claims outstanding	279,105	221,506	10,369	47,230
	322,863	234,198	11,226	77,439
Reinsurers' share				
Provision for unearned premiums	3,777	3,239	-	538
Provision for claims outstanding	67,797	54,651	-	13,146
	71,574	57,890	-	13,684
For own account				
Provision for unearned premiums	39,981	9,453	857	29,671
Provision for claims outstanding	211,308	166,855	10,369	34,084
	251,289	176,308	11,226	63,755

Definitions & Glossary

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 for own account.

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 reflects 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.

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.

Retention:

the highest insured or claims amount relating to the same risk that an insurer retains for its own account, without reinsurance.

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.

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