Sveriges Ångfartygs Assurans Förening
The Swedish Club
Est. 1872

Annual Report 2013

for the year ended 31 December

Contents

The photo theme of our Annual Report this year is the LCTC (Large Car Truck Carrier) Figaro, managed by Wallenius Lines. On page 57 you can read more about the company and the vessel.

Financial highlights

The financial year January through December. USD thousands

	2013	2012	2011	Average
Calls and premiums	172 286	170 287	173 714	172 096
Reinsurance premiums	-46 518	-40 581	-40 106	-42 402
Net claims incurred	-90 409	-116 812	-121 489	-109 570
Financial result	8 897	22 446	3 581	11 641
Actual result	16 982	9 074	-9 312	5 581
Loss ratio	72%	90%	91%	84%
Expense ratio	22%	20%	19%	20%
Combined ratio	94%	110%	110%	105%

The year in brief

- Strong operating performance
- Further diversification within Marine & Energy
- Planned growth within all sectors
- Reinforcement of Team Norway
- Free access to MRM for members
- Free reserves at a historically high levels: USD 168 million

Adjusting to the new normality

Chairman's Overview
Lennart Simonsson

We have passed through another year of mixed fortunes in shipping, with the dry cargo sector, in particular, experiencing a tough 12 months. In general, however, solid companies with a strong profile saw 2013 as "just another year" in the slow climb-out from the depths of the crisis that began in 2008.

At the same time, the proliferation of commercial disputes demonstrates that players still have grounds to be nervous. For those with fleets on time charter, the key concern was whether their charterers can pay and continue to survive in an unforgiving market.

It is difficult to offer broad comment in this climate, as everything turns on the status of the individual player. What can be said is that companies that have used the difficult years to get the cost-base right, began to reap the rewards in 2013.

> We continue to benefit from a stable business platform

Looking back, over a decade or more, we can see that the boom from 2000 onwards was, in all probability, a freak event that is unlikely to be repeated for a very long time, if ever. As the years post-2008 slip by, we find ourselves in a new yet more conventional commercial environment. In many ways, 2013 was unremarkable – a rather calm year. Perhaps that is no bad thing. Today, trade volumes are satisfactory, although the achievement of acceptable rates is a real challenge. A recovery, measured by this yardstick, still has a long way to go.

A Club in good order

The year was satisfactory from The Swedish Club's viewpoint. Our policy of diversifying across business sectors and product lines within each sector is proving to be beneficial. Once again, I can report that The Swedish Club is in good order. One particularly pleasing aspect was the continued success in attracting quality owners who understand the true significance of good service, should an accident occur.

One of our most important decisions during the year related to loss prevention and our belief that proactive measures are essential if claims frequency and costs are to be reduced. With this in mind, we now offer our members free access to Maritime Resource Management (MRM) training for the years 2014-15. We believe this is the single most powerful step we can take to address the human dimension of accident prevention. MRM is our most potent vehicle for winning further improvements on this front.

A stable business platform

We continue to benefit from a stable business platform. And we intend to continue with our policy of adding new members of quality, rather than seeking market share for its own sake. This is why The Swedish Club retains its unique personality.

During 2014 we hope that the Club and its members will benefit from improvements in the market which became visible in 2013. There are some encouraging signs of recovery and growing confidence, following five years of lost investment, in the future of shipping. Now, once again, the upgrading process is under way. Perhaps 2013 can best be described as the year in which the industry finally adjusted to the "new normality".

Managing Director's Comments
Lars Rhodin

Strategic decisions in safety and the Norwegian market

The Swedish Club's financial strength increased in 2013, with investment earnings and a positive underwriting outcome producing the result of USD 17 million overall. This was a year in which we benefited from our diversification policies, together with other measures, such as the new reinsurance structure introduced in 2010. The free reserves increased to a record level of USD 168 million.

Volatility was the watchword on the world's financial markets. It was a turbulent mid-year, with US Federal Reserve signals on quantitative easing leaving a very large footprint across the bond and stock markets. The sharp June decline was corrected by the swift recovery in August and September. The year ended with a satisfactory investment return. As for underwriting, good results across our Marine business contributed to the positive outcome.

Business overview

The Swedish Club achieved a good result, overall, given prevailing market conditions. The consolidated net combined ratio of 94 per cent is satisfactory. The rise in P&I claims seen in recent years levelled off, but at the higher level of 0.6 claims per vessel/year. Much the same pattern emerged for Marine Hull and Energy, where there was a modest decline in frequency and a lower severity overall explained, in part, by favourable factors relating to repair costs. Yet, in the background is the indisputable evidence from IUMI that the impact of large claims continues to grow, introducing yet more volatility. This was certainly apparent during 2013 when we saw a decline in large casualties.

The Swedish Club had no pool claims during the policy year. Pool claims, of course, are entirely random events and it is pleasing to report the absence of exceptional cases in 2013. Nevertheless, the International Group experienced a high number of claims, as was the case in the preceding year. In the context of the pool, therefore, 2013 will be an expensive year for all IG members.

During 2013 The Swedish Club continued to grow. P&I volume, in terms of tonnage, increased by eight per cent, which was much in line with expectation. Our new members, for the most part, operate tankers, container vessels and bulk carriers — our traditional core vessel types. The encouraging progress in developing our P&I book in recent years is a measure of market confidence in the Club's operational performance, financial strength and future prospects. The year saw our P&I fleet pass the 55 million GT mark (including owned entries totalling 37 million GT). The totals at end-2012 were 35 million GT owned and 51 million combined.

In the Marine business sector, our portfolio has been stable for the past five years. This picture changed in the second half of 2013, however, with entries increasing from 1 500 to 2 000. The increase is seen across the marine segment and the offshore service segment is adding a sizeable contribution. We entered this market during the Summer and, by the year's end, a number of fleets had entered on a following basis.

The Swedish Club took two major strategic decisions in 2013: to further reinforce its commitment to the Norwegian market and, secondly, to take radical action to accelerate the uptake of Maritime Resource Management (MRM). We see MRM training as a significant contribution to the global

Our aim is to be the shipowner's preferred choice on grounds of cost-effective service and added value.

drive to reduce large navigational claims arising from shortcomings in human behaviour.

Several measures were taken to build on our early success in Norway. We increased staffing levels, to offer both marketing and claims services from Oslo. We have moved to new and larger offices. We have increased our market participation, with the offshore service vessel initiative being especially significant. Now we look forward to more progress on this front in 2014.

Turning to MRM, we now offer free access to this training for all Club members, for a two-year period. Training establishments will not pay licence fees during this time. This demonstrates our belief in MRM as the most effective tool available to reduce exposure to accidents with severe human and environmental consequences.

We are well advanced in the area of Solvency II compliance

The year saw changes in responsibilities within the Club. In Piraeus, for example, Hans Filipsson took the helm. In Gothenburg, Jacob Vierö arrived. He is Head of Marketing & Business Development as well as Acting Manager for Team Gothenburg. We also took steps to strengthen the FD&D teams in all offices. We continued to receive the strong support and encouragement of the Club's Board. In 2013 Captain Weng Yi, of China Shipping, was welcomed as a Board member.

Diversification and other matters

In 2013, S&P affirmed the Club's BBB+ status and commented: "The company has a track record of diligent strategic planning. We also view operational effectiveness and risk and financial standards as positive."

We continue to take new initiatives in the loss prevention area, where we took a close look at "wet damage" P&I claims in addition to our 2013 edition of "Claims at a glance". We also launched "SCORE", The Swedish Club Operations Review which is available to help members address specific aspects of safe operation.

The MOU/FPSO book has grown as anticipated and, while we continue to focus on the Norwegian/Scandinavian market, we are now beginning to make headway in the global Energy arena.

We are well advanced in the area of Solvency II compliance. We now have an outstanding Internal Capital Model, which allows for in depth financial forecasting and business scenario analysis.

International Group concerns

Reinsurance was at the top of the IG's agenda during the year, with an intense debate on the ramifications of large casualties. In this area, it should be noted that the lion's share of wreck removal costs over the past decade has been met by the Club's Pool and Hydra facilities, rather than by excess reinsurance.

The Large Casualty Working Group has clearly identified governmental intervention as a central cost-driver in such cases. This is why it is vital that the IG succeeds in its efforts to persuade governmental bodies to take a more balanced view on wreck removals.

Looking ahead

The Swedish Club maintains its steady course. Our aim is to be the shipowner's preferred choice on grounds of cost-effective service and added value. This requires consistency in our approach to risk, pricing, service and, in particular, claims response.

We believe in the inherent value of diversification and in taking firm action on loss prevention, to address the fundamental cause. Shipowner liabilities can only increase in a world intolerant of marine accidents. In this climate we are sure that the mutual approach to risk-sharing is our greatest benefit to shipowners.

Risk Management
Just Arne Storvik
Acting Risk Manager

Compliance and added value

The Swedish Club continued to develop its Solvency II infrastructures during 2013. As we forecast last year, there was a further deferment of the date for full implementation of the Solvency II Directive. We have put this extra time to good use, to win yet more value from the process. The full implementation is now scheduled for 1 January, 2016.

At the same time, major elements of Solvency II will take effect during the coming year (2014). These include key issues such as systems of governance, the preparation of the ORSA (Own Risk and Solvency Assessment) and a number of regulatory reporting functions. The full application of Solvency II and its capital requirements will follow this phase-in period.

Inevitably, The Swedish Club's preparations for compliance with the Directive were based on a certain amount of anticipation. The publication of the Solvency II Preparatory Guidelines, during the course of 2013, revealed that the decisions we made were well-informed. It was pleasing to be able to report this to the Club's Board, at its meeting in London during December. This also provided an opportunity to describe our current work and future plans to capitalise on our strong position in the compliance process.

Reserve and Risk Committees

New initiatives on this front included the formation of two new internal committees during 2013 – the Reserve Committee and the Risk Committee. These groups met on several occasions during the year.

The Reserve Committee's is a forum for the Club's Actuary to receive input on provisions for, inter alia, claims run-off, large and complex cases and emerging risks. In this way the Actuary is supported by underwriting, claims, legal and other specialists. Our aim is to ensure that all provisions made are appropriate and comply with Solvency II.

The Risk Committee is a forum for operational decision-making in the context of the Club's system of governance and the associated directions from the Board to the management. The work centres on the ownership of risk within each operational unit and across all offices of the Club. We have three lines of defence in relation to risk. The second and third lines are the risk management function and the auditing function, but the primary, first line of defence is the operational recognition of risk ownership.

Data quality initiative

Looking ahead, we will concentrate on issues concerned with the quantification and mitigation of risk. We will build on various projects, initiated in 2013, with an important Solvency II dimension. One example is the Data Quality project. Over the past three years, it has become evident that regulatory monitoring under Solvency II will include a comprehensive process to verify data feeds to the capital adequacy calculations and their consistency with underwriting pricing tools, financial forecasting and the information underpinning the decisions of the Board. The underlying theme is traceability. With this in mind, our Data Quality project is examining ways of maximising the efficiency of verification.

We have already made good progress in designing and implementing a portal for the entry of data from a variety of locations and sources within the Club. In effect, this is an element of the wider Data Quality project. We are much encouraged by the effective first use of this portal during the year.

Legal

Anders Leissner
Director
Corporate Legal and FD&D

Do the right thing

There was not a shortfall of legal topics in 2013. One conclusion that can be drawn from this observation is that shipping and insurance, like society as a whole, are becoming more and more regulated. The trick is to identify what is important for one's needs and context. Today's overwhelming flow of information makes this exercise easy – and difficult at the same time.

Blue cards and sanctions

Several legal conventions have recently entered, or are in process of entering, into force. A common theme is that they all increase liabilities for shipowners and set aside the pay to be paid principle by way of imposing obligations on P&I Clubs to front liabilities in the first instance through "blue cards". This development is probably inevitable but P&I Clubs – through the IG Secretariat in London – will continue the work to influence policy makers in the strive to achieve balanced and insurable legislation.

One contentious issue at the time of writing this text is whether outstanding crew wages under a forthcoming amendment of the Maritime Labor Convention should be covered by the P&I insurance. One other issue that has to be resolved during 2014 is to what extent additional blue cards are required under the 2002 Protocol to the Athens Convention – at present blue cards are provided under EUs Passenger Liability Regulation which is identical legislation. A third, issue which has continued to affect the Club and its members, is Iran sanctions. On 20 January 2014, EU and US temporarily eased certain sanctions in the area. It remains to be seen whether the reliefs will continue, cease or be expanded after 20 July 2014.

The cheque is (not) in the mail

From our members' perspective unpaid debts have continued to cast a shadow over shipping in 2013. The single event, that probably has had most impact, is the default of STX Pan Ocean, succumbing to claims in excess of USD 1 billion. During the year, the Club's Freight, Defence and Demurrage lawyers have assisted several members in dealing with claims for hire and damages following insolvency and repudiation of charter parties which involve complex lien claims both in bunkers and cargo.

Compliance

Corporate governance is a key area in the Solvency II Preparation Guidelines and we are presently reviewing our directives and internal processes in order to ensure efficient compliance. It has been reported that the legislation pertaining to the new legal regime for European banks, Basel III, is expected to comprise 60,000 pages and it will take 70,000 full time employees to implement it. The same will probably apply for Solvency II. One cannot refrain from thinking that complex systems create uncertainty and, as a result, ironically, additional risks. It is our hoping that common sense will prevail and that Solvency II will be a user-friendly tool that will effectively support us in our ongoing efforts to manage and meet risks in the proper way.

On this note, it is very pleasing that the Club's solvency is excellent – in June 2013 Standard & Poor's gave the Club's capital adequacy an AA value "in the upper range". The remarkable result for 2013 has obviously strengthened our position further.

Review of Operations

Underwriting

Jacob Vierö
Director
Marketing &
Business Development

Maximising diversification benefits

Overall, we had a successful underwriting year. It is clear that both the Club and its members are benefitting from the emphasis on a well-diversified and steady growing business portfolio – a measure of confidence in The Swedish Club and its future prospects.

The P&I portfolio increased beyond expectation in 2013, yet remained comfortably within our parameters for controlled growth. Our offices worldwide contributed to this positive development and it is pleasing to note the achievement of an even geographical spread.

The new entries spanned all principal vessel types, including container vessels, bulk carriers and tankers. It is worth noting that the growth in our charterers' P&I book is in line with the expansion of the book as a whole. Most importantly, the new members are fully compatible with The Swedish Club's "quality first" ethos.

Dominant trends in 2013

The dominant trends in shipping included the difficult trading environment and an accelerating phase-out of elderly tonnage. As might be expected, the scrapping of older ships has had an adverse impact on the premium income of many P&I Clubs – older vessels attract higher premiums. This is not the case with The Swedish Club, as the average age of our P&I-entered (Owner's) fleet is at just 9.7 years. Consequently, the disposal of older ships has less effect on our pricing.

When considering the balanced underwriting outcome, the positive results in the Marine business (Hull & Machinery and Energy) were significant. Traditionally, we are an "all-in-one" club, offering both P&I and Hull & Machinery, and our aim is always to achieve balance across these core businesses.

Quality before volume

Balance is our objective and quality before volume is our guiding principle. In taking our business and risk-related decisions, we are greatly assisted by the Internal Capital Model, which has emerged as a great tool on the underwriting and risk management fronts. The Model is state of the art in the market and makes an important contribution to informed decision-making. It also ensures that the Club makes the optimum use of capital. These benefits are maximised through our diversification strategy – offering P&I, FD&D, Marine/Energy, War, Loss of Hire, Increased Value, Charterer's Liability and other products that address the needs of our members.

It was a busy year for the FD&D teams. As might be expected, growth here reflects the general expansion of our P&I book. The increase in the FD&D workload shows the clear correlation between a difficult shipping market and the number of disputes. Further evidence of this relationship is provided by the more stable tanker sector, where there is a far lower incidence of disputes.

Energy's contribution

Our Marine business continues to develop successfully through diversification. In the Energy sector, we have built the book to the point where the Club participates in virtually all major accounts meeting our quality criteria. We foresee no significant expansion of this portfolio in 2014.

With these initial, highly encouraging years behind us, we can say that our

Norwegian business initiative prosper at a level exceeding our first expectations. We look forward to additional non-Energy business in this market during 2014. Norway is of prime interest to The Swedish Club. It is one of the world's most interesting, high quality shipping markets – rich in innovation and all the more dynamic due to its thriving Energy/Offshore Services sector. Doing business here is challenging, as it is a market characterised by high expectations. At the same time, we are a well-recognised, established Scandinavian provider, with a reputation for reliable service delivery.

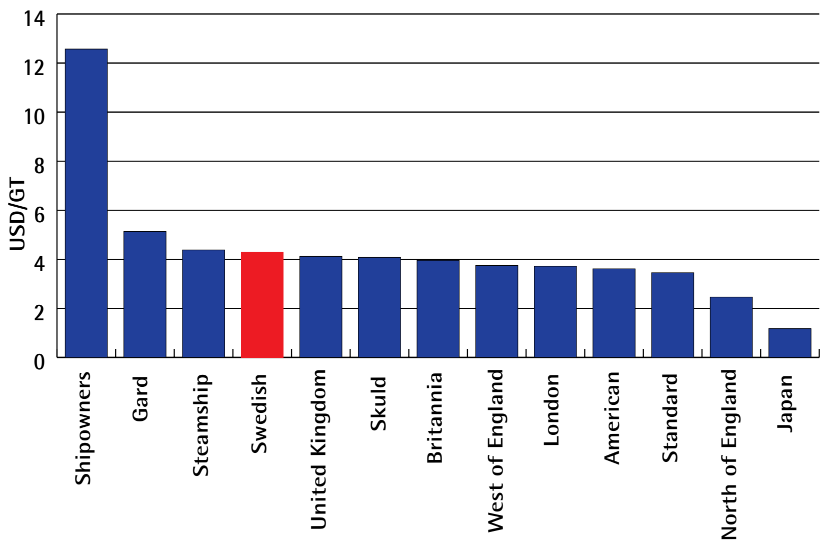
Our strong platform of diversification can now be harnessed to make further progress in the years ahead. One obvious possibility is to build on our success in the Energy/Offshore Services sector by expanding our activities into related areas.

The way forward

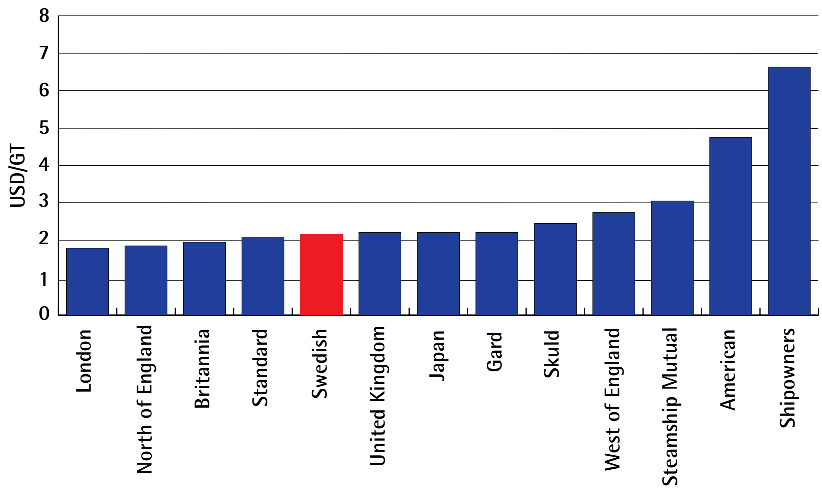
During 2014 we expect additional growth in the P&I portfolio. The market's confidence in The Swedish Club is rooted in several factors. Firstly, we have achieved positive results in seven of the past 10 years. Secondly, 2013 emerged as another positive year. Thirdly, the market takes account of our indisputably strong capitalisation.

We remain one of the most solvent Clubs in the International Group and on the key issue of capitalisation, S&P gives this Club an AA value in their capital model. These are the roots of confidence.

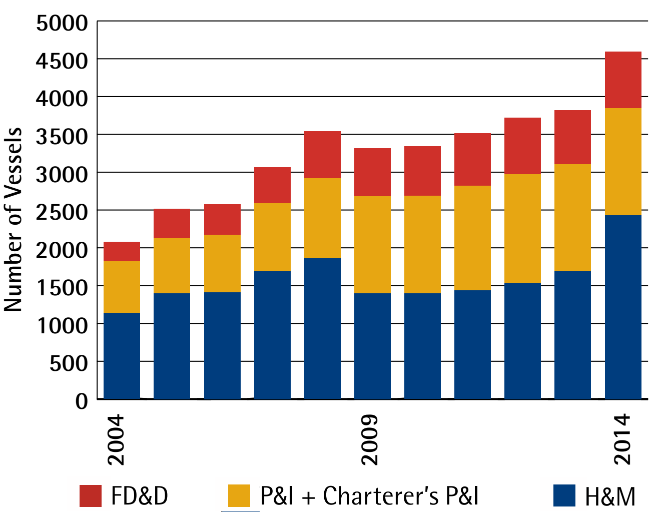
Free reserves per GT 2013



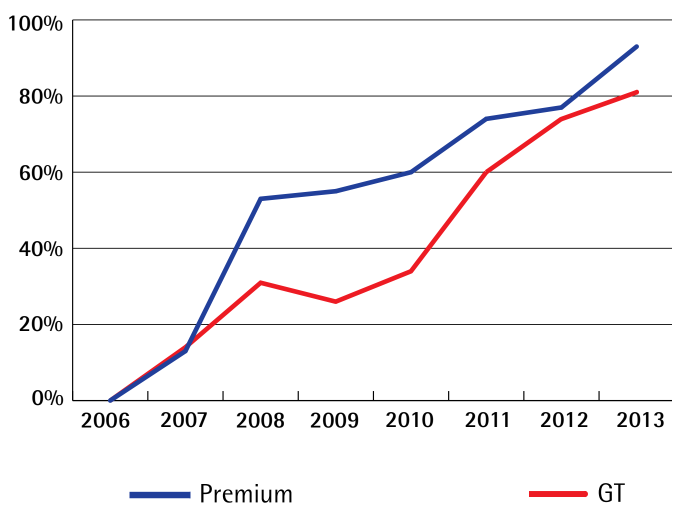
Total call owners P&I per GT as per 20 February 2013



Number of vessels



P&I premium and GT growth



Review of Operations

Claims

Lars A. Malm
Director Risk & Operations

A welcome reduction in claims frequency

Taking the claims picture overall, The Swedish Club experienced a welcome reduction in frequency during 2013. The severity of large claims, however, continues to rise – a trend that seems to be here to stay. This is why the International Group focused so strongly on large casualty issues. The IG's Large Claims Working Group reported during the year and The Swedish Club concurs with its principal findings.

Without doubt, the main cost-drivers in large cases are location and government intervention. A remote, exposed casualty site will have very significant cost implications for owners and insurers. The deployment of an appropriate response will almost certainly involve heavy costs.

As for government intervention, major casualty operations involving clean-up and/or wreck removal demand for extremely large sums of money. That fact alone can do much to aggravate the situation.

The more fundamental issue here is political pressure, driven by public intolerance of environmental damage and the intense media coverage. The latter factor can be a central concern. Politicians have to be seen to do the right thing and that has as much to do with public perceptions as appropriate operational decisions. The shipping context is by no means unique in this respect. All areas of business endeavour are now subject to unprecedented levels of scrutiny. Like it or not, we are becoming more transparent than ever.

These are not academic, philosophical musings. These matters demand our full attention, given their central influence on the ability to deliver cost-efficient marine insurance services. One look at the IG's Pool claims data says it all. While The Swedish Club was fortunate enough to be free of Pool claims in 2013, the number of such claims remained at an historically high level and this has financial consequences for all clubs.

> ...we are becoming more transparent than ever

A benign claims year

Setting aside the broad picture, including societal trends over which we have little influence, the fact remains that The Swedish Club had a benign claims year in 2013. Frequency began to climb in 2008 and continued to rise until 2012, when it began to level off.

On the P&I front it was an encouragingly quiet year. Much the same can be said of Marine and Energy. This was a year free of major incidents. In the latter sectors, the cost of claims found a more reasonable level, reflecting surplus repair yard capacity and lower steel prices. What a contrast to the run-up to 2008, when everyone wanted to build new ships and repair yards switched to the construction of new tonnage! The price of steel soared, as did the cost of repairs. Now the situation is very different, with a positive impact on Marine claims costs.

We would expect this situation to prevail for some years, as there is no reason to anticipate any fundamental market change in the foreseeable future. Another positive factor is slow steaming, introduced for cost reasons during the economic crisis but now almost certainly here to stay, given the high cost of fuel. This continues to have a beneficial influence on the number of collision claims. These factors contributed to the fact that Marine Products outperformed expectations in 2013.

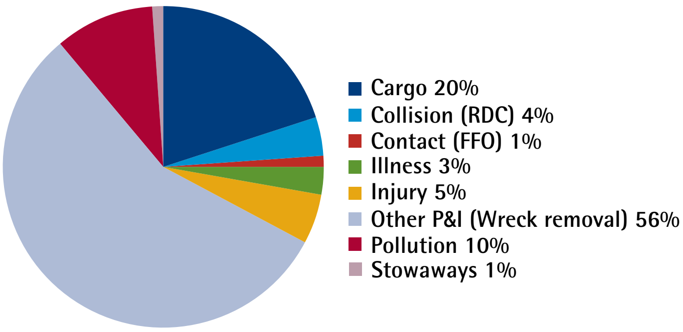
Liabilities and loss prevention

Taking the long view, we have every reason to conclude that shipowner liabilities can only increase in the years ahead. In recent times higher passenger liability limits were introduced under The Athens Convention. Looking ahead, the revised Rotterdam Rules – still a couple of years away from entry into force – will erode traditional shipowner defences against cargo claims involving navigational errors. Furthermore, the Wreck Removal Convention takes effect next year. This imposes a more onerous regime on the shipowner, at a time when wreck removal costs have reached unprecedented levels.

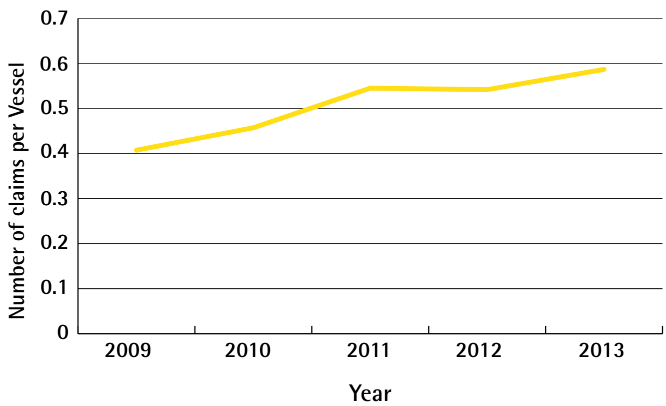
Against this background, it is comforting to review the important subject of proactive loss prevention. The Swedish Club continues to excel on this front. We launched SCORE (The Swedish Club Operations Review) in 2013. This is a partnering approach to benchmarking and risk reduction, with Club and member working in close cooperation. All members can benefit from benchmarking their claims performance against other members with similar profiles. This is an extremely effective way of sharing experience at the practical level.

Perhaps our single most important loss prevention initiative in 2013 was the decision to offer Club members free access to Maritime Resource Management training. MRM, which you can read about on the next couple of pages. But it is appropriate to add one comment here: this form of training, concentrating as it does on human factors, is the most effective method we have to reduce claims frequency and overall costs.

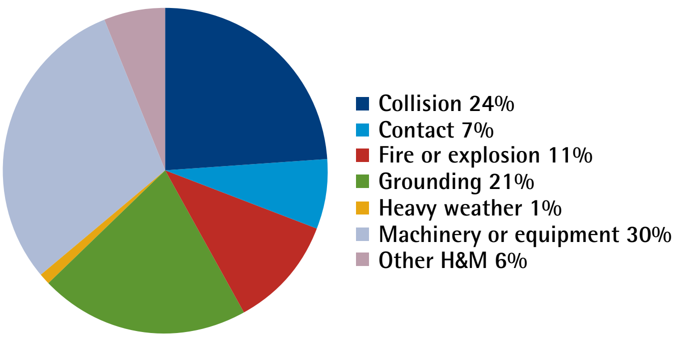
P&I claims cost 2009 – 2013



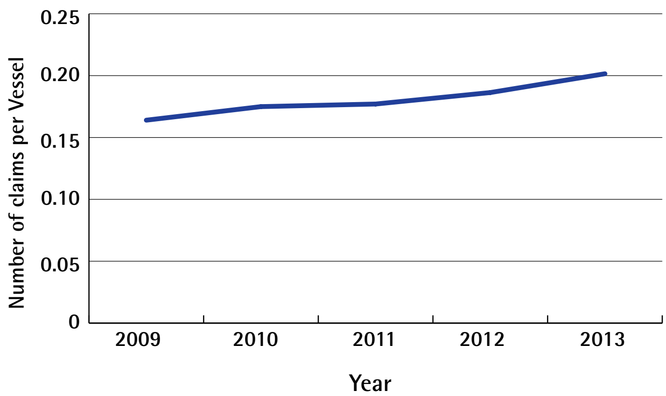
P&I claims frequency



H&M claims cost 2009 – 2013



H&M claims frequency



The Swedish Club Academy

Martin Hernqvist
Managing Director

Free access to MRM

In October 2013 The Swedish Club made an important announcement concerning the future of the Maritime Resource Management (MRM) programme. This follows the decision that, from 1 January, 2014 offer all Club members free MRM for a two-year period. This applies to all P&I and lead Hull members.

This drive demonstrates the total commitment to MRM as an effective promoter of appropriate human interaction for the safe operation of ships. We believe this is in the mutual interests of the Club, its members and, of course, the wider maritime community, as we have a common interest in reducing the number of large claims.

MRM has an extraordinary effect in reducing accidents and claims. It counters behavioural factors which, in some circumstances, may lead to marine accidents with severe consequences. MRM focuses on fostering positive attitudes, good inter-personal communication, procedural compliance and excellence in leadership and team-working. It is the ideal tool for generating sound resource management practices among deck and engineering officers, pilots and shore-based personnel.

Flag State delay

The background to the decision is a recognition that Flag States are slow to appreciate the fundamental significance of human factors in the prevention of marine accidents. Most Flag States concentrate on technical knowledge and skills and ignore the inherent weaknesses in behaviour and human interaction. More of the same, in terms of technical training, will not reach to the roots of safe vessel operation. When analysing the origins of major marine accidents, it is clear that they occur when attitudes are poor, negative and, in some instances, downright dangerous. These negatives can be present no matter what level of technical skill is in place.

With this in mind, The Swedish Club decided to intensify its MRM efforts at the global level. The offer of a two-year period of free access is designed to accelerate the MRM uptake across the world. We have already had a most encouraging response from members. These companies recognise the mutual imperative: when things go wrong, both member and Club suffer; when things go right, everyone benefits.

MRM's third decade

MRM is entering its third decade. By the close of the year, the number of licensed providers worldwide had risen to well over 100. During 2013 we were especially active in reaching out to major maritime nations such as the Philippines, India and China. The MRM Roadshow toured eight Chinese cities during the first half of the year. The focus on human factors is a new training concept in China.

During 2013 the vital task of "training the MRM trainers" continued. MRM facilitation training events were held in Manila, Singapore, Shanghai and Gothenburg. MRM briefings and practical demonstrations were also a feature of officers' conferences held by several of our members.

Looking ahead, we will continue to pay close attention to the Master-Pilot relationship. This Club — alone — records around 100 incidents per year involving vessels with pilots on board. In some instances, accident investigation reveals an unhealthy undercurrent in the Master-Pilot relationship. It is the responsibility of all concerned to do everything possible to eradicate this problem.

Finance

Jan Rydenfelt
Director
Finance, Reinsurance & IT

Investment returns in line with expectations

The 2013 investment year proved to be a bumpy ride. It started well – after four months the Club had almost reached the budgeted financial result for the full year. Then the May announcement by the FED (Federal Reserve), on a tapering of bond buying, prompted a negative market reaction.

May and June saw losses, both in equities and particularly in the Club's bond portfolio, wiping out all gains in previous months. When the FED saw the impact that their statement had on financial markets, they tried to cool things down. In September they made it clear that they would continue with quantitative easing. In response, the markets began a strong recovery.

In 2013 the MSCI World was up 27%, with most of the advance during the final four months (see graph 1). The US stock market rose even more. In Japan, the Nikkei was up 57%. This had a lot to do with that country's monetary policy – allowing the market to flood with cheap money, causing the yen to fall by nearly 18% against the USD, and ultimately giving a big boost to stock markets and Japanese companies reliant on exports.

> ...this was another year in which credit risk paid off

Investment portfolio up 3.6%

In the euro-area, uncertainties surrounding the euro overshadowed stock markets in the first few months of the year. Immediate concerns then eased and, as a result, euro-area equity markets were amongst the best performers during the second half of the year. For several years, The Swedish Club has had a beneficial overweighting in emerging markets. This did not pay off during 2013. As interest rates started to pick up in the US and other developed economies, these markets suffered an outflow of funds. The MSCI Emerging Market Equity Index was down 3% in 2013.

During the year the Club essentially maintained an 80/20 mix between fixed income and equities. The asset mix as per 31 December is shown in graph 2. In the case of fixed income holdings, this was another year in which credit risk paid off. Our US high yield bond fund and euro credit opportunity fund both yielded good returns. The euro holdings also benefitted from an appreciation against the USD. Taken overall, our fixed income holdings produced a relatively low return, as they also suffered from increasing market yields.

As for equities, the majority of the holdings are in global equity funds, but we also have a few others. The emerging market fund, which performed so well in 2012, struggled with prevailing conditions in these markets. In June we sold our Swedish equity fund and instead bought a European fund. It performed well and was up 18% during the second half of the year.

In total, The Swedish Club's investment portfolio produced a surplus exceeding USD 10 million in 2013 – a yield of 3.6%. Most of this return stemmed from the share of the portfolio invested in equities.

Looking ahead, in 2014 we believe that improved growth prospects, higher company earnings and an improved macro environment will all contribute to positive developments in equities. Nevertheless, there are always uncertainties. A larger than expected effect from tapering or new concerns about the situation in the weaker euro countries could dash positive expectations.

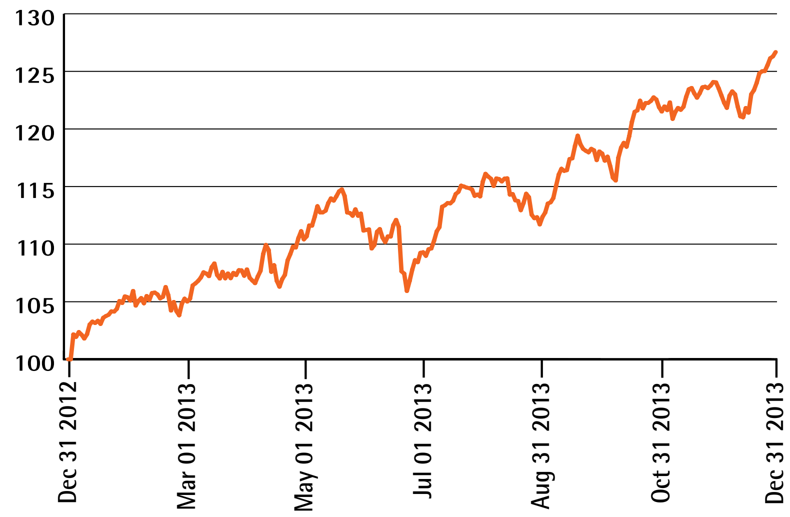
Reinsurance

The International Group of P&I Clubs' (IG) excess of loss reinsurance programme had a difficult renewal for the insurance year 2013/14. Factors included the losses of the cruise vessel Costa Concordia and the Club's insured vessel Rena. These events underscored premium increases. In total, the increases were around 30%.

During 2013 there was a further deterioration in the picture for these two major casualties and, as a result, this year's renewal saw a further premium increase of around 10%. In 2013 the IG reinsurance programme's attachment point was increased from USD 60 million to USD 70 million and in 2014 it rose once again, to USD 80 million. In 2013, the Hydra share of the IG programme's First Layer rose from 25% to 30%. This level was maintained for 2014. The programme's structure for this year is presented in graph 3.

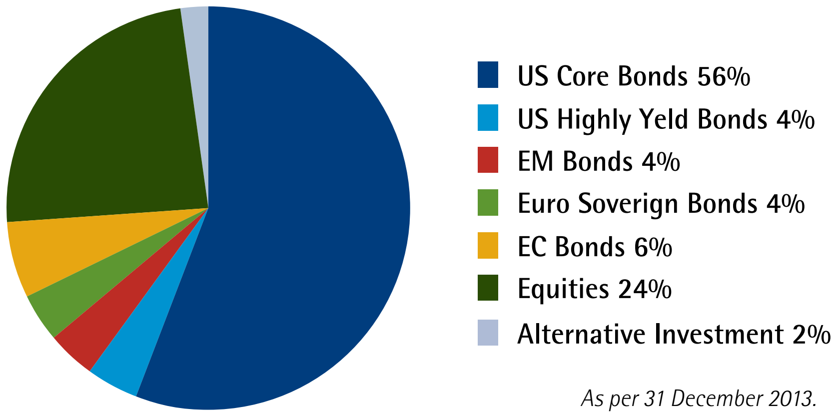
Beyond participation in IG excess of loss cover, there is also The Swedish Club's individual reinsurance programme. Its purpose primarily, is to protect Marine and Energy and, in addition, complement the IG cover. In 2013, our new reinsurance programme – launched in 2010 – paid off. Under this scheme we buy less cover in return for reduced reinsurance benefits in a good/normal year. In a year producing several major claims, however, the cover kicks in and gives good protection. In 2013 the Club, experienced few major claims and this new, low-cost scheme was very beneficial.

Graph 1: World Equity Index



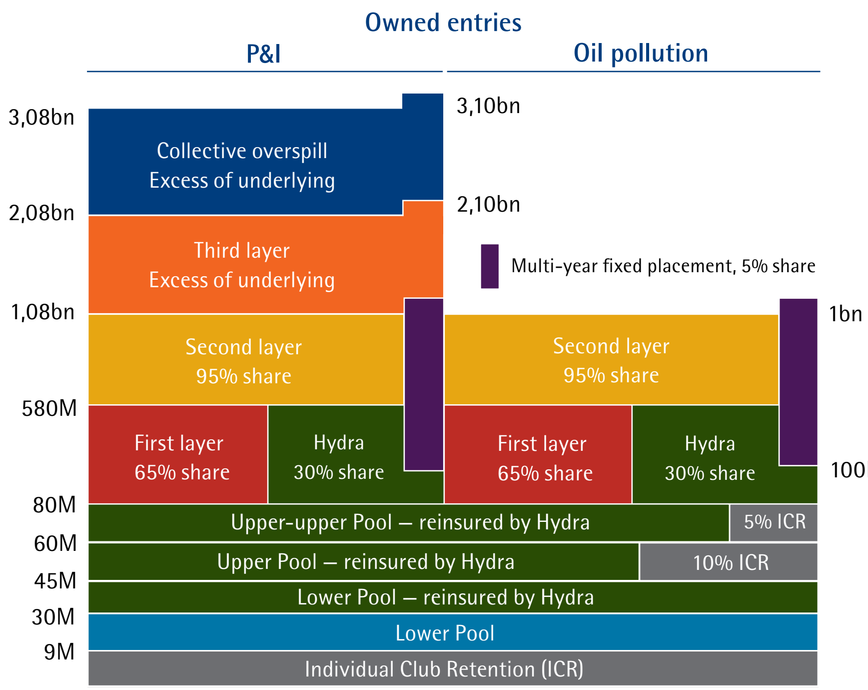
Information taken from MSCI Inc.

Graph 2: Financial investments by type



As per 31 December 2013.

Graph 3: IG reinsurance programme



Five-year summary

Insurance facts	2014	2013	2012	2011	2010
P&I insurance, 20 February					
Number of vessels	1 040	1 013	1 032	994	891
Gross tonnage (Million)	37.1	34.8	33.9	30.9	25.9
FD&D insurance, 20 February					
Number of vessels	724	710	754	753	670
Gross tonnage (Million)	29.6	28.5	30.0	29.1	25.5
Marine H&M insurance, 1 January					
Number of vessels	2 061	1 501	1 365	1 436	1 396
Gross tonnage (Million)	71.7	60.0	56.3	60.2	55.5
Insurance value (USD Million)	66 306	51 025	48 807	50 960	48 344
of which the Club has insured (USD Million)	10 512	10 696	12 050	12 226	11 386

Call history, policy year	2014/15	2013/14	2012/13	2011/12	2010/11
P&I insurance					
General increase	7.5%	7.5%	5%	2.5%	2.5%
Additional call/Estimated additional call	0%	0%	0%	0%	0%
Open/Closed	Open	Open	Open	Closed	Closed
FD&D insurance					
General increase	5%	5%	5%	10%	5%
Additional call/Estimated additional call	0%	0%	0%	0%	0%
Open/Closed	Open	Open	Open	Closed	Closed

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Board of Directors' report

The Board and the Managing Director of The Swedish Club (Sveriges Ångfartygs Assurans Förening) hereby present their annual report for the year 2013, the Club's 141th 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 offices in Hong Kong, Piraeus and Oslo. The Swedish Club is both owned and directly controlled by its members.

The Club's activities concern marine insurance, in the following classes of non-life insurance: Ship (Marine & Energy), Ship liability (Protection and Indemnity, P&I) and Defence (Freight Demurrage & Defence, FD&D).

Reinsurance acceptances are in run-off, with a remaining provision for outstanding claims of USD 0.3 million.

The Club also has a subsidiary which, in accordance with the Swedish Annual Accounts Act 7:5, has not been consolidated as it is of lesser importance with regard to true and fair view requirements.

Significant events during the year

The total provision (P&I) for the cargo ship, Rena, which ran aground off New Zealand in October 2011, was during 2013 increased from USD 300 million to USD 350 million. This was covered by the Club's reinsurance arrangements.

The provision for the fire that occurred on the container ship, MSC Flaminia, was increased during 2013 from USD 17 million to USD 62.5 million. This increase was also covered by the Club´s reinsurance arrangements.

During the year, the Club received repayments for a total of USD 61 million pertaining to the Selendang Ayu shipwreck in 2004. These repayments were the result of confirmation of a shipowner's right to limit liability for oil recovery. The repayments have not had a direct impact on the Club's result because these amounts are refunded to reinsurers.

Financial overview

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

Result for the period

For 2013, the result before appropriations and tax was USD 17.0 (9.1) million. The majority of the Club's assets are valued in USD and a mariginal currency changes has resulted in exchange losses of USD -0.3 (0.8) million.

The relationship between the result expressed in USD and SEK is shown below as a change in solvency capital:

Solvency capital	USDm	SEK/USD	SEKm
31 December 2012	151.0	6.5156	983.7
31 December 2013	168.0	6.5084	1 093.1
Result	17.0		109.4

Insurance activities

Gross premiums written in 2013 amounted to USD 175 (170) million. Following the deduction of outward reinsurance premiums totalling USD 47 (40) million, premiums written amounted to USD 128 (130) million. Earned premiums, net of reinsurance, amounted to USD 126 (130) million.

A portion of investment income relates to insurance activities. The amount is based on the expected return on the investment portfolio and the current year's average technical provisions for own account. The amount of transferred investment income was USD 3.7 (3.8) million.

Claims incurred, net of reinsurance, amounted to USD 90 (117) million. In relation to earned premiums, net of reinsurance, this corresponds to 72 (90)%.

During the year, 20 (27) claims were reported in excess of USD 500 000. For 3 (8) of the claims, the cost before reinsurers' share exceeded USD 2 million.

Operating expenses for insurance activities amounted to USD 27 (26) million. In relation to earned premiums, net of reinsurance, this corresponds to 22 (20)%.

The balance on the technical account totalled USD 12 (-10) million.

Result by class of insurance

The combined ratio for P&I was 113 (124)%. Earned premiums, net of reinsurance, amounted to USD 67 (68) million. The claims cost for other clubs' pool claims declined from USD 18 million in 2012 to USD 12 million in 2013.

Claims incurred, net of reinsurance, was USD 60 million in 2013 (71). The loss ratio for the year was 90 (106)%.

As of 31 December 2013, the P&I portfolio, including charterer's liability, consisted of 1 397 (1 373) vessels with gross tonnage of 55 (51) million.

The combined ratio for FD&D was 82 (71)%. As of 31 December 2013, the FD&D portfolio consisted of 752 (730) vessels with gross tonnage of 31 (29) million. Earned premiums, net of reinsurance, amounted to USD 6 (5) million. Claims incurred, net of reinsurance, increased from USD 3 million in 2012 to USD 4 million in 2013. The loss ratio for the year was 69 (58)%.

The combined ratio for Marine & Energy was 70 (97)%. Within the business area, developments for the subclasses, H&M and Loss of Hire were positive. 2013 was a good year for the largest subclass, H&M, which reported a surplus compared to its break-even result in 2012. Loss of Hire reports a profit compared to a reported loss in 2012.

Other subclasses reported good results in line with 2012. Earned premiums, net of reinsurance, amounted to USD 53 (57) million.

Claims incurred, net of reinsurance, fell from USD 42 million in 2012 to USD 26 million in 2013. The loss ratio for the year was 50 (75)%.

At the end of 2013, the H&M portfolio consisted of 1 857 (1 576) vessels and the covered insured value amounted to USD 12 (12) billion. The number of insured vessels covered for Loss of Hire amounted to 580 (499).

The Energy subclass reports a profit in 2013, compared to 2012, when we incurred a total loss.

Investments

The result from financing activities, including exchange rate differences, amounted to USD 9 (22) million. The result from interest-bearing securities was USD 1 (13) million. The result for quoted shares amounted to USD 8 (8) million and the result for other financial income and expenses amounted to 0 (0).

The translation of investment assets into USD resulted in exchange gains of USD 1.0 (1.3) million. Exchange rate losses arising from claims outstanding amounted to USD -1.0 (-0.8) million.

Other exchange differences amounted to USD -0.3 (0.3) million. The majority of the Club's assets are valued in USD. As such, currency effects are primarily related to the changes of USD against other currencies. As of year-end 2013, the Club's investments amounted to a value corresponding to USD 285 (325) million, of which 74 (88)% was interest-bearing securities and 26 (12)% equity funds.

Balance sheet

The amount reported for the provision for outstanding claims is somewhat lower in 2013 compared to 2012. However, the amount reported for 2013 is still high and it pertains to outstanding claims from prior years, for which a provision is necessary. For 2013, the provision for claims outstanding was USD 319 (351) million.

The value of the Club's investments decreased to USD 285 (325) million.

Environment

The Swedish Club has an ongoing commitment to reducing its environmental impact. The Club has successfully implemented a paperless electronic claims handling and archiving system. It is also focusing on other ways of reducing its production of documents and printed matters. For example, the Club no longer uses pre-printed stationery and documents are more frequently distributed electronically.

Printed publications for members and other parties are now, as far as possible, distributed as web versions or are available to download at www.swedishclub.com

The Club's Loss Prevention Department is also responsible for providing guidance to members on environmentally friendly solutions.

Significant events after the balance sheet date

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

Employees

The Club is a knowledge-intensive organisation. The commitment, competence and performance of employees are decisive factors for 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:

Committed

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

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

Proactive

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

The average number of employees during the year was 103 (see Note 26 for more information).

A new bonus program for employees was introduced in 2011. The maximum total cost of the bonus program has been set at 10% of the Club's salary costs including social security expenses. A bonus was expensed in 2013. Note 26 also contains information on the principles for establishing salaries and benefits for the Club's management team.

Risks and uncertainties

The 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
- Reinsurance risk
- Financial risk
- Operational risk

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

During 2012, an internal capital model (ICM) designed as a control mechanism for the Club's management process was implemented. The model is an important tool for calibrating capital needs, as well as a dynamic tool that is helpful in the decision making process. Additionally ICM is an important component of The Swedish Club's preparations for meeting the future requirements contained in the EU Solvency II Directive, which is expected to come into force during 2016.

Miscellaneous

The annual credit valuation, carried out by Standard & Poor's, was published on 18 July 2013. The valuation for the Swedish Club remains at the level BBB+.

Prospects for 2014

For 2014, we expect a somewhat higher premium volume for all of our insurance classes. We anticipate a somewhat lower reinsurance cost than last year, but on the other hand, we also predict a slightly higher claims cost for own account.

We belive that the trend of stability in the financial markets, which we witnessed in 2013, will also continue in 2014. Although we expect a reduction of the central bank's quantative easing measures, we belive that bond yields will nevertheless remain low in 2014.

Appropriation of earnings

The Board's proposed appropriation of earnings is presented on page 47.

Five-year summary

Amounts in USD million	2013	2012	2011	2010	2009
Income statement					
Earned premiums, gross	172.3	170.3	173.7	160.1	150.0
Earned premiums, f.o.a.	125.8	129.7	133.6	123.8	104.2
Investment income, allocated from non-technical account	3.7	3.8	1.1	1.7	2.1
Claims, f.o.a.	-90.4	-116.8	-121.5	-85.5	-78.7
Net operating expenses	-27.3	-26.3	-25.0	-22.2	-19.7
Balance on technical account	11.8	-9.6	-11.8	17.7	7.8
Balance on non-technical account	5.2	18.6	2.5	11.8	7.0
Result before appropriations and tax	17.0	9.1	-9.3	29.5	14.8
Financial position					
Investment assets at fair value	285.0	325.0	314.8	297.5	237.4
Technical provisions, f.o.a.	166.7	210.7	205.6	180.9	154.2
Solvency Capital	168.0	151.0	141.9	151.2	121.7
Deferred tax liability included in solvency capital	39.9	36.2	40.1	42.6	34.4
Key data insurance business					
Loss ratio	72%	90%	91%	69%	76%
Expense ratio	22%	20%	19%	18%	19%
Combined ratio	94%	110%	110%	87%	94%
Average Expense Ratio	12.1%	13.3%	13.0%	11.6%	11.4%
Key data asset management					
Total return	3%	7%	1%	5%	5%
Other key figures					
Solvency ratio, claims	123%	83%	80%	97%	90%
Average number of employees	103	96	97	92	93

Definitions are provided on page 55-56.

Income statement

For the financial year January through December. Amounts in USD thousands.	Note	2013	2012
Technical account			
Earned premiums, net of reinsurance			
Premiums written, gross	3	174 742	169 580
Outward reinsurance premiums		-47 291	-39 843
Change in provision for unearned premiums		-2 456	707
Reinsurers' share of change in provision for unearned premiums		773	-738
		125 769	**129 706**
Investment income transferred from the non-technical account	4	**3 700**	**3 800**
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-165 294	-317 376
Reinsurers' share		28 104	204 834
		-137 190	-112 542
Change in provision for claims outstanding			
Before outgoing reinsurance		34 543	35 645
Reinsurers' share		12 237	-39 915
		46 782	-4 269
		-90 409	**-116 812**
Net operating expenses	6, 26	**-27 275**	**-26 266**
Balance on technical account		**11 784**	**-9 571**
Non-technical account			
Balance on the technical account		**11 784**	**-9 571**
Financial result			
Financial income	7	9 116	11 547
Unrealised gains on investments	8	4 296	12 214
Financial costs	9	-2 661	-1 315
Unrealised losses on investments	10	-1 854	–
		8 897	**22 446**
Allocated investment income transferred to the technical account	4	**-3 700**	**-3 800**
Result before appropiations and tax		**16 982**	**9 074**
Appropriations: change in safety reserve		-14 127	270
Result before tax		**2 855**	**9 345**
Tax on result for the year	19	-537	-2 657
Profit/loss for the financial year		**2 317**	**6 687**

Balance sheet

Assets

As of 31 December. Amounts in USD thousands.	Note	2013	2012
Intangible assets			
Intangible assets	11	192	291
		192	**291**
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	12	11	11
Other financial investment assets			
Quoted shares	13	73 441	39 792
Bonds and other interest-bearing securities	14	211 523	285 159
		284 975	**324 962**
Reinsurers' share of technical provisions			
Provisions for unearned premiums	15	3 467	2 694
Provision for claims outstanding	15	181 837	168 521
		185 304	**171 216**
Receivables			
Receivables related to direct insurance operations	16	32 241	35 015
Receivables related to reinsurance operations		4 845	9 478
Other receivables		1 187	453
		38 274	**44 946**
Other assets			
Tangible assets	17	947	1 009
Cash and bank balances		28 780	12 506
Other assets		1 058	1 058
		30 784	**14 572**
Prepaid expenses and accrued income			
Accrued interest		4 021	3 581
Prepaid acquisition costs		2 988	2 636
Other prepaid expenses and accrued income		830	624
		7 839	**6 841**
Total assets		**547 368**	**562 829**

Equity, provisions and liabilities

As of 31 December. Amounts in USD thousands.		Note	2013	2012
Equity				
Statutory reserve			77	77
Accumulated loss			-4 678	-11 364
Profit/Loss for the financial year			2 317	6 687
Translation difference capital			259	261
	A		**-2 025**	**-4 340**
Untaxed reserves				
Safety reserve			165 129	151 002
Equalisation reserve			1 654	1 653
	B		**166 783**	**152 654**
Technical provisions before reinsurers' share				
Provision for unearned premiums		15	33 042	30 586
Provision for claims outstanding		15	318 933	351 349
			351 976	**381 935**
Provision for other risks and charges				
Pensions and similar obligations		18	1 905	2 179
Deferred tax	C	19	3 194	2 657
			5 100	**4 836**
Liabilities				
Liabilities related to direct insurance operations		20	5 919	7 507
Liabilities related to reinsurance operations			9 929	11 505
Other liabilities		21	6 855	6 966
			22 701	**25 977**
Accrued expenses and deferred income				
Accrued expenses			2 832	1 765
			2 833	**1 765**
Total equity, provisions and liabilities			**547 368**	**562 829**

Memorandum items		**23**		
Assets included in members priority right			329 307	366 259

Solvency Capital (A+B+C)	167 952	150 971

Change in equity

Amounts in USD thousands	Statutory reserve	Accumulated profit or loss	Translation difference captial	Profit/loss for the financial year	Total equity
Balance brought forward 2012-01-01	72	-8 588	362	-2 776	-10 930
Carried forward		-2 776		2 776	
Profit for the year				6 687	6 687
Change in translation difference capital	5		-101		-96
Balance carried forward 2012-12-31	**77**	**-11 364**	**261**	**6 687**	**-4 340**
Balance brought forward 2013-01-01	77	-11 364	261	6 687	-4 340
Carried forward		6 687		-6 687	
Profit for the year				2 317	2 317
Change in translation difference capital	0		-2		-2
Balance carried forward 2013-12-31	**77**	**-4 677**	**259**	**2 317**	**-2 025**

Profit/loss for the year includes unrealised gains/losses on investments. Deferred tax has been calculated on that portion. See note 19.

Cash flow statement

Amounts in USD thousands.	2013	2012
Paid premiums	175 928	165 592
Paid reinsurance premiums	-44 234	-39 508
Claims paid	-165 294	-317 376
Claims paid, reinsurers' share	28 104	204 834
Cash flow from insurance operations	-5 496	13 542
Other expenses	-28 790	-27 650
Paid interest		
Interest received	3 991	4 719
Dividends received	146	173
Cash flow from other operations and from insurance operations	-30 149	-9 216
Net investments in tangible assets	-244	-255
Sales of tangible assets	18	-
Acquisition of financial assets held for sale	-99 960	-151 999
Sale of financial investment assets	147 325	161 259
Cash flow from investing activities	47 139	9 005
Cash flow for the year	**16 990**	**-211**
Cash and bank balances		
Cash and bank balances at beginning of the year	12 506	12 779
Cash flow for the year	16 990	-211
Exchange rate difference on cash and bank balances	-716	-62
Cash and bank balances at year-end	**28 780**	**12 506**

Performance analysis per class of insurance

According to Swedish regulations, there is only one class of insurance. However, the Club voluntarily reports on other subclasses. Please see pages 55-56 for an explanation of the classes of insurance.

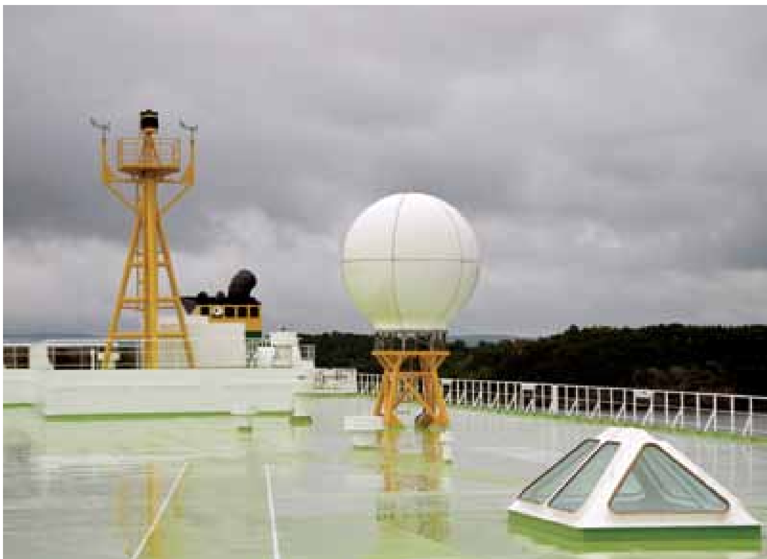
For the financial year January through December 2013. Amounts in USD thousands.		Total	P&I	FD&D	Marine & Energy
Technical account					
Earned premiums, net of reinsurance					
Premiums written, gross		174 742	99 620	5 618	69 504
Outward reinsurance premiums		-47 291	-32 570	-6	-14 715
Change in provision for unearned premiums		-2 456	-752	-24	-1 680
Reinsurers´share of change in provision for unearned premiums		773	778	-41	36
	A	**125 769**	**67 075**	**5 547**	**53 145**
Investment income transferred from the non-technical account	B	**3 700**	**2 900**	**200**	**600**
Claims incurred, net of reinsurance					
Claims paid					
Before outgoing reinsurance		-165 136	-120 298	-3 826	-41 012
Reinsurers' share		28 104	26 140	33	1 930
Change in provision for claims outstanding					
Before outgoing reinsurance		34 386	21 481	19	12 887
Reinsurers' share		12 237	12 523	-72	-213
	C	**-90 409**	**-60 155**	**-3 846**	**-26 408**
Net operating expenses					
External acquisition costs		-11 906	-5 924	-382	-5 600
Operating expenses for renewal of insurance contracts		-6 901	-4 236	-130	-2 535
Adminstrative expenses		-8 469	-5 553	-164	-2 752
	D	**-27 275**	**-15 713**	**-676**	**-10 887**
Balance on technical account	A+B+C+D	**11 784**	**-5 892**	**1 225**	**16 451**
Run-off result (according 5 Chapter 4 § 6 ÅFRL)		9 593	3 663	1 878	4 052
Result outward reinsurance		-6 177	6 871	-86	-12 962
Result accepted reinsurance		0			
Key figures					
Loss ratio [C/A]		72%	90%	69%	50%
Expense ratio [D/A]		22%	23%	12%	20%
Combined ratio [(C+D)/A]		94%	113%	82%	70%
Three-year average combined ratio		105%	118%	89%	89%
Insurance portfolio*					
Number of insured vessels		–	1 397	752	2 247
Gross Tonnage (millions)		–	55	31	78
Average share covered (per cent of gross tonnage)		–	100%	100%	19%
Average age (years)		–	10	8	10

**Marine & Energy incl. H&M and Energy only.*

Performance analysis per class of insurance

As of 31 December 2013. Amounts in USD thousands.	Total	P&I	FD&D	Marine & Energy
Technical provisions				
Before reinsurers' share				
Provision for unearned premiums	33 042	13 275	727	19 040
Provision for claims outstanding1)	318 631	267 909	8 019	42 703
	351 673	**281 184**	**8 746**	**61 743**
Reinsurers' share				
Provision for unearned premiums	3 467	3 284	0	183
Provision for claims outstanding	181 837	164 140	250	17 447
	185 304	**167 424**	**250**	**17 630**
For own account				
Provision for unearned premiums	29 575	9 991	727	18 857
Provision for claims outstanding	136 794	103 769	7 769	25 256
	166 369	**113 760**	**8 496**	**44 113**

[1] *The provision is reported excluding incoming reinsurance 302 (see note 15).*



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 2008:26) 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 2008:26. This means that all of the EU approved IFRS and statements have been applied, to the extent possible given Swedish law and the relationship between accounting and taxation.

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

The Club has a subsidiary which, in accordance with the Swedish Annual Accounts Act, ÅRL 7:5, has not been consolidated, since it is of lesser importance regarding 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

US dollars is the company's functional currency, since most of the company's income and costs are in US dollars. It is also the most significant currency regarding provisions in the insurance business and therefore, the primary environment in which the company runs the business. The official accounting currency is Swedish kronor.

The Club converts transactions in foreign currency to the currency rate applicable on the transaction day, both to SEK and to USD. USD is the Club's currency for internal financial reporting and SEK is used in the official Swedish regulatory reporting, in accordance with law-limited IFRS. All amounts, unless stated otherwise, have been rounded off to the nearest thousand.

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

Assessments and estimates made when preparing the financial statements

In order to prepare the financial statements in accordance with law-limited IFRS, management must make assessments, estimates and assumptions that affect the application of accounting principles and the carrying amounts of assets, liabilities, income and costs.

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

Important estimates and assessments regarding technical provisions are based on assumptions about future claims costs, 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 cost development, changes in legislation, judicial decisions and general economic development. See also Note 2 (Risk management and risk analysis).

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

Principles applied

Changes in accounting polices due to new or modified IFRS

IFRS 13 Fair Value Measurement is a new uniform standard for fair value measurement and improved disclosure requirements. The standard must be applied prospectively for financial years starting 1 January 2013 or later. The new disclosure requirements are set forth in Note 2 Risk Disclosures. Otherwise, the new or revised IFRS that came into force during the financial year have not had any effect on the Club's annual report.

New IFRS and interpretations that have come into force

A number of new or revised IFRS 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 does not intend to opt for early adoption of new standards or amendments that will come into force as of the next and future financial years. Below is description of the expected effects on the Club's financial statements from application of the new or revised IFRS listed below. There are no other new principles besides these that are expected to have an effect on the Club's financial statements.

IFRS 9 Financial Instruments is intended to replace IAS 39 Financial Instruments: Recognition and measurement. The date for obligatory first time adoption has not yet been decided. However, the IASB has decided that it will not be before 1 January 2017. The IASB has published the first three parts of what will be the final IFRS 9. The first part deals with classification and measurement of financial assets. The categories for financial assets that exist in IAS 39 are replaced in IFRS 9 by two categories, where measurement is at fair value or amortised cost. Amortised cost is used for instruments that are held in a business whose goal is to receive the contractual cash flows, which shall constitute payments of principal and interest on the principal amount at specified dates. Other financial assets are reported at fair value and it is still possible to apply the fair value option, as in IAS 39.

Changes in fair value are recognized in profit or loss, except for changes in the value of equity instruments that are not held for trading and for which it was decided to report changes in value in other comprehensive income at initial recognition. Already in 2012, the IASB published a proposal on changes to the rules adopted for the classification and measurement of financial assets. According to the proposed changes, which, however, have not yet been adopted, a company should value its financial instruments at fair value via other comprehensive income under certain circumstances.

In October 2010, the IASB also published the sections of IFRS 9 that deal with classification and measurement of financial liabilities. Most of the principles for classification and measurement of financial liabilities in accordance with IFRS 9 are consistent with the principles in IAS 39, except for how changes in the fair value of financial liabilities that are voluntarily reported at fair value in accordance with the fair value option are reported. For these liabilities, the change in value should be divided into changes that are attributable to own credit rating and changes in the reference rate. The company has still not conducted an evaluation of the effects of IFRS 9 and neither has it been able to decide on whether it should opt for early adoption of the new principles since IFRS 9 has still not been approved for application in the EU. In November 2013, the IASB also published principles and rules in IFRS 9 that deal with the criteria for hedge accounting.

During the first six months of 2014, the IASB plans to wrap up the following: the work that has focused on correcting the adopted rules for classification and valuation of financial assets, as well as the ongoing work on new rules for accounting for expected credit losses. The effective date has still not been decided. However, the IASB has announced that it will not be before 1 January 2017. The EU has still not approved IFRS 9 and therefore early adoption of the standard is not allowed.

The Club has not yet evaluated the effects of IFRS 9.

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. They 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 and of an asset or liability and its tax base. The valuation of deferred tax is based on the extent which the underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been decided or effectively adopted as of the reporting date.

Untaxed reserves are reported including deferred tax liability.

Premiums written, gross f.o.a.

Gross premium written is normally reported according to the maturity principle. This means that the gross premium written is reported in the income statement when the annual premium or – in cases where the contractual insurance period's premiums have been divided into several partial premiums – when the first partial premium falls due for payment.

Furthermore, in order for the gross premium written to be included, the term of the underlying insurance contract must start during the current accounting period. The method described above is used also for premium written (reinsurers' share).

Premiums earned f.o.a.

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

Investment income transferred from the non-technical account

Investment income is reported in the non-technical result. The Club uses a model for the calculation of investment income transferred from the financial business to the technical account. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment. The interest rate that was used corresponds to the expected return on investments for the current year.

Net claims incurred

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

The provision for claims outstanding net of reinsurance is revalued using the closing day rate of exchange. Historical data on claims payments provides the basis for allocation of the provision to each relevant currency that is used for this calculation. 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 investment 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 6 and Note 9).

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. They can be defined as the year's change between fair value and acquisition cost.

Financial instruments

Financial instruments reported in the balance sheet as assets:

- Accounts receivable – trade (reported under the heading, receivables)

- Shares and participating interests, bonds and other interest-bearing securities

Items reported as liabilities or equity include:

- Trade creditors (accounted for under the heading liabilities)

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

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

Initial recognition of a financial instrument is based on the purpose for which the instrument was acquired. The initial classification also determines how the financial instrument shall be measured going forward, as described below.

Derivative instruments are reported both initially and afterwards at fair value. Derivatives are held throughout the reporting year. There were no holdings at the end of the reporting year. The Club does not apply hedge accounting.

The Club has classified financial instruments in the following categories, in accordance with IAS 39:

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

- Financial assets that are being held for trade
- Other financial assets that the Club initially chose to recognise in this category (according to the Fair Value Option) Financial instruments i this category are valued at fair value with changes reported in the income statement under the heading unrealised gains – or losses on investments.

Derivatives with a positive fair value are included in the first subcategory. Derivatives consist of forward exchange contracts that hedge against currency risk exposure.

The other subcategory contains the Club's investment assets (except for derivatives and loan receivables). The Club has chosen to apply the fair value option on assets, since key personnel evaluate all investment assets on the basis of fair value in accordance with documented risk and investment strategies. The Club classifies such investment assets (i.e. assets that are financial instruments and not shares in subsidiaries) as Financial assets measured at fair value through profit or loss. This is due to the fact that the Club evaluates its asset management activities on the basis of fair values.

The category, loan receivables and accounts receivable - trade are financial assets that are not derivatives. Furthermore, they have determined or determinable payments and are not listed on an active market. These assets are valued at amortised cost. Amortised cost is determined based on the effective rate of interest calculated at the time of the acquisition. Accounts receivable and loan receivables are reported at net realisable value, i.e. after the deduction for doubtful debts.

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

Description of fair value

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

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

Intangible assets

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

Property, plant and equipment

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

Subsidiaries and associated companies

A subsidiary is a company that is subject to a controlling influence by the Parent Company AB. Controlling influence is the right to, directly or indirectly, design a company's financial or operating strategies in order 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 a holding of 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 investment management that will not be invested in assets.

Prepaid acquisition costs

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

Provision for unearned premiums

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

Provision for claims outstanding

The provision for incurred and reported claims is based on individual, realistic assessments of individual claims using information that is available on the reporting date. Incurred but not reported claims, IBNR, is calculated using statistical methods that are based on past experience of the number and extent of claims reported for prior accounting years.

The provision for outstanding claims also includes a reserve for operating costs associated with settling outstanding claims.The provision for outstanding claims has been reported using undiscounted values.

Pensions costs & pensions commitments

The pension obligations are comprised of pension plans 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 determined that the Swedish Financial Reporting Board's statement, UFR 6 Pensionsplaner, which covers multiple employers, is also applicable to the Club's pension plan. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 6, 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.

Retirement through own management

Besides the collective pension agreements guaranteed through insurance agreements, The Swedish Club also has special agreements with certain employees allowing them to retire earlier than 65 years' of age and obtain further compensation in addition to the collective pensions benefits.

The majority of the provision originates from the 2006 change of terms in the collective agreement for the insurance sector, which gives employees born before 1956 the right to early retirement from the age of 62.

The calculated provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation.

Leasing contracts

The Club has signed contracts in which assets such as cars and office equipment are leased for a contracted period of time. The cost of lease is put up as a cost over the contracted period of time based on utilization.

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	2013	2012
Swedish kronor (SEK)	6.5084	6.5156
British pound (GBP)	0.6064	0.6210
Euro (EUR)	0.7278	0.7562
Hong Kong dollar (HKD)	7.7555	7.7511
		1 USD equals

Note 2. Risk management and risk analysis

Risk management

The internal risk management model is now an integral part of The Swedish Club's (TSC's) method for achieving its strategic goals, as well as an important tool used by the Board and management team.

The Internal Capital Model (ICM) is used as a control mechanism for the management process. It is being used to produce consistent, risk-quantified information for the company's risk management report. ICM is facilitating efforts to structure reinsurance and evaluation of new business areas. Development efforts are still under way, focusing on the model's calibration and precision, documentation, and modelling of complementary aspects, such as operational risk and credit risk.

The development of ICM is an important component of the Club's preparations for meeting the future requirements contained in the EU Solvency II Directive. As a component of the future Solvency II rules, ICM can be used for calculating solvency capital requirements (SCR), provided that the Board submits an application for doing so and is approved by the supervisory authority.

Risk management philosophy

TSC has an open risk culture that strives to create risk awareness and encourage all levels of the organization to participate in discussions about risk as a natural part of their daily work. This assists in identifying and quantifying current and emerging risks.

TSC believes that a strong Enterprise Risk Management process is a potential source of competitive advantage for the company. In particular, an Internal Capital Model that enables the company to calculate risk-adjusted return for various decision alternatives should, over time, result in lower losses.

The risk management philosophy supports initiatives to achieve the Club's goals by reducing the likelihood of undesirable operational and financial outcomes.

Risk culture

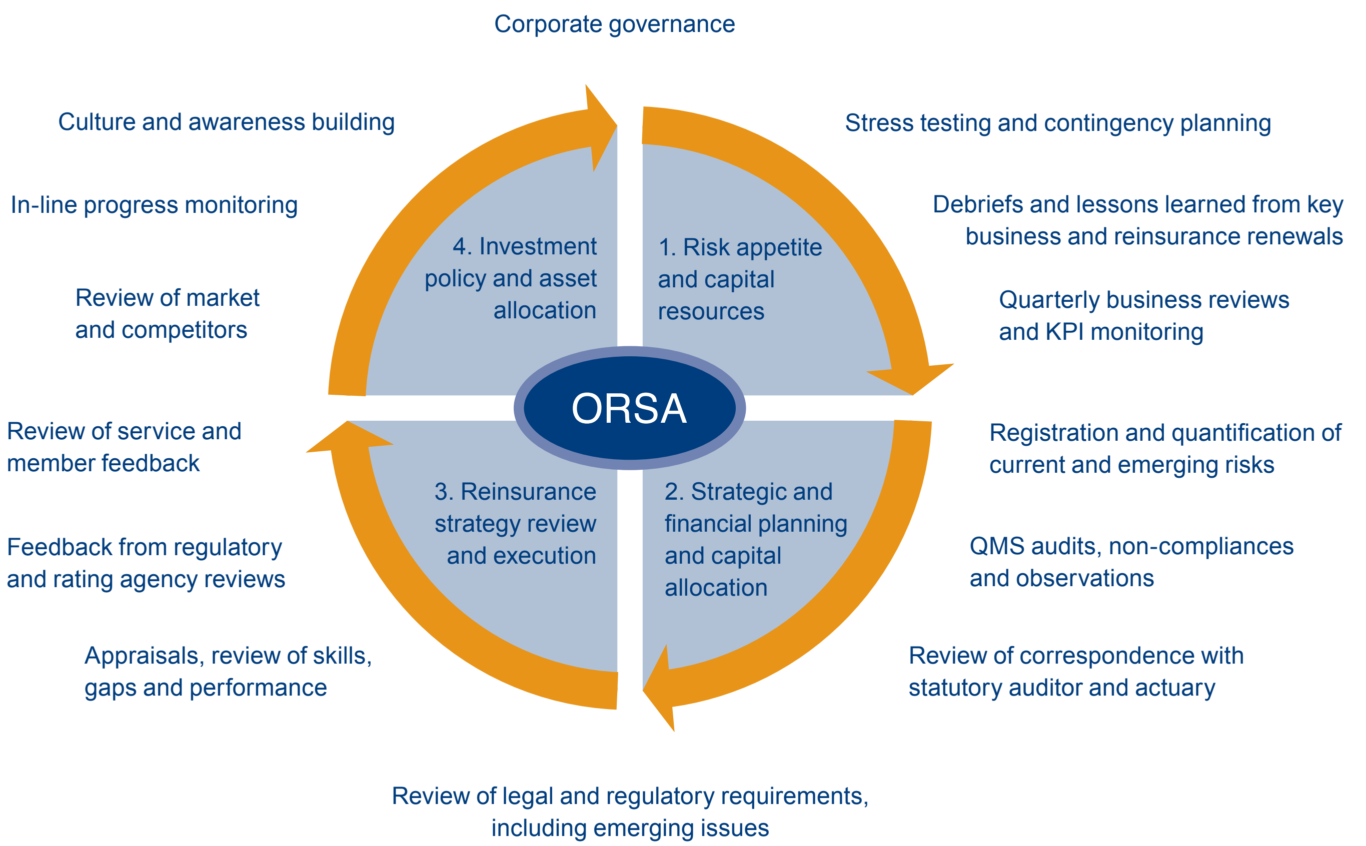
In addition to the formal risk management structure, which is described in this Note, the Club encourages incorporating a risk dimension at most meetings and activities throughout the year. The figure on the next page seeks to illustrate the wider spectrum of activities that feed into the core risk and capital management processes, thus ensuring that risk management is an integral part of all functions within the Club, and not only of relevance to those with formal risk management responsibilities.

The figure on top of next page illustrates the four key annual processes that contribute to internal risk management and other relevant activities

Risk governance

Based on the risk management philosophy, the Club has adopted a policy,

Risk and capital management processes



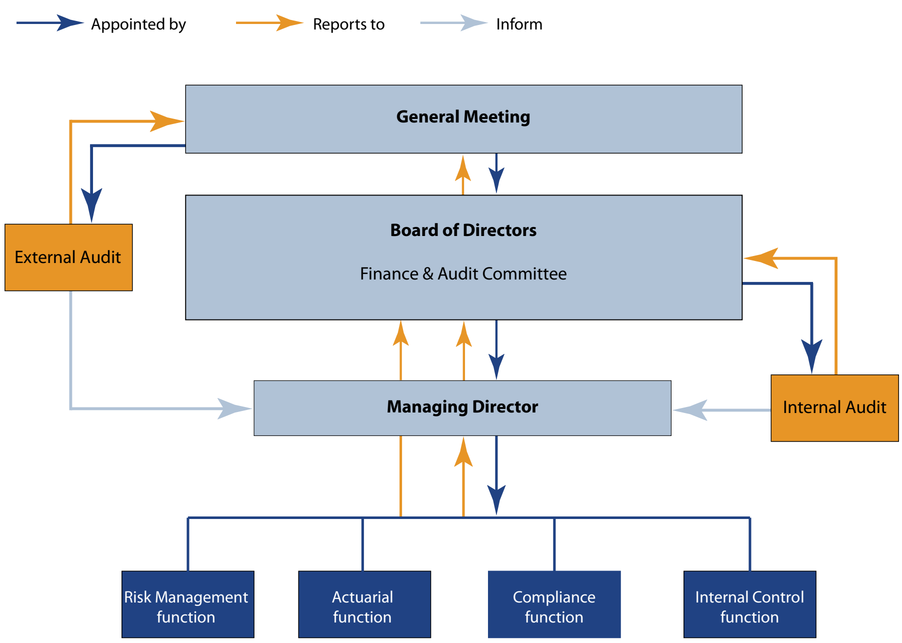
setting out the general direction and aims for risk management within the organization. The Risk Management Policy also provides the foundation for the Club's acceptance of risk in pursuit of its established goals.

Risk management is a natural part of the responsibilities of line management, which means that risks are to be managed at the source, i.e. within the team or department where they originate.

In the second line of defence, the risk management function's role is to ensure that systems for reporting and managing risks have been implemented and are being followed. The compliance and internal control function is responsible for ensursing that the Club complies with relevant laws and regulations, as well as monitoring that there is conformity with internal directives and policies.

The figure to the right illustrates important information flows and allocation of responsibilities.

Allocation of responsibilities



An independent internal audit is carried out annually, which includes a formal audit to evaluate the adequacy and effectiveness of the systems for risk management and internal control. Any findings and recommendations of the internal audit are reported to the Board, which determines what actions should be taken with respect to each of the internal audit findings/recommendations. The Board also ensures that those actions are carried out.

Structure of corporate governance and allocation of responsibilities

TSC has a Board of Directors elected by the Annual General Meeting (AGM). It currently consisting of 24 members, including the Managing Director and two employee representatives. In addition to an elected Chairman of the Board, there are two elected Deputy Chairmen.

TSC also has an Election Committee elected by the AGM. This committee is responsible for recommending changes to the Board of Directors for the AGM's consideration.

The Finance & Audit Committee is a subgroup of the Board. It is responsible for reviewing recommendations and providing feedback to the management team on key areas, such as changes in investment allocation within the guidelines, audit, compliance and premium collection. The Finance and Audit Committee compiles this information so that the Board is able to make well informed decisions. The minutes from the Finance & Audit Committee meetings are distributed to the other members of the Board as soon as possible after each meeting.

The Club has a six member management team consisting of the following positions: Managing Director; Director of Finance, IT & Reinsurance; Director of Marketing & Business Development; Director of Risk & Operations; Director of Corporate Legal & FDD and Director of Human Resources.

The Club's activities are governed, controlled and monitored in accordance with guidelines and instructions that have been established by the Club's Board and Managing Director. The purpose of these guidelines and instructions is to clarify the allocation of responsibilities within the organisational structure, which is comprised of the following: the AGM, Board of Directors, Managing Director, business areas, support functions, the risk management and actuarial functions, the function for compliance with regulations and internal audit.

Risk analysis

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

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

Insurance risks

Insurance risks consist of both underwriting risks and reserving risks. Effective management of underwriting risks is fundamental to the Club's operations. Potential member's vessels and management team are thoroughly reviewed prior to acceptance. Rating systems and premium models are used to ensure that correct premium levels have been selected.

The Swedish Club's comprehensive reinsurance arrangements level out fluctuations in claims results. This helps protect the Club from incurring losses that are associated with very large claims, including the aggregation of losses from multiple insured interests.

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

The claims models are also used for simulation of claims costs in the Club's ICM. This 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.

Concentrations of insurance risk[1)]

Insurance risk is solely concentrated to the shipping industry. The table below shows concentration measures for the two largest individual classes of insurance.

Solvency II – the three pillars

Within the EU, comprehensive efforts are underway on a project that is called Solvency II. The aim of this project is to introduce a more risk-based model for calculating solvency requirements.

Another aim is to facilitate more proactive supervision within the EU. The central purpose of these regulatory requirements is to provide policyholders with better protection.

The three pillars approach is as follows:

1. Quantitative requirements for the calculation of capital. Here, two different levels are suggested for the capital base, a minimum level and a targeted level.
2. Qualitative requirements pertaining to risk management and internal control
3. Reporting to supervising authorities and external disclosure requirements

The Solvency II Directive enters into force in 2016.

The weighted average duration for outstanding claims is approximately 2.3 years.

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

[1)] *as of 31 December 2013.*

	Number of vessels	Average age (years)	Gross tonnage (millions)	Average claim duration
P&I[2)]	1 040	10.7	37.1	3
H&M[3)]	2 247	10.2	77.7	2

[2)] *P&I Owners*

[3)] *incl. Energy*

Exposure	Number of vessels	H&M[3)]	P&I[2)]	Loss of Hire[3)]	Hull[3)] Interest
Four Classes	156	X	X	X	X
Three Classes	5	X	X	X	
	261	X	X		X
	426	X		X	X
Two Classes	61	X	X		
	16	X		X	
	804	X			X
	8		X	X	
	14		X		X
	26			X	X
Vessels by class of insurance		2 247	1 055	677	1 815
Total number of vessels			3 013		

[2)]P&I Owners *[3)]incl. Energy*

The table shows the concentration of insurance classes per vessel as of 31 December 2013: 5.2% of vessels were exposed to four insurance classes, 23.0% to three classes and 30.8% to two classes.

Reserving risk is associated with the provision for claims outstanding and the provision for unearned premiums. When calculating the provision for unearned premiums, consideration must be given to differences in risk exposure during the policy period. For example, there are seasonal variations in the frequency/severity of claims between quarters or other periods of time that must be considered. The provision for incurred and reported claims is based on individual assessments of claims using the latest information available. Claims reserves must reflect the total liability, which includes claims handling costs, expected claims inflation and currency considerations. Incurred but not reported claims, IBNR, is calculated using statistical methods that are based on past experience of the number and extent of claims reported for prior accounting years.

Sensitivity of provisions made

The table 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 2013).

Variations in the provisions that were made have had a positive impact on the result over the past five years. It is primarily changes in the reserve for large claims that affects the change in the overall technical provision, gross. Since the very large claims have been captured by our reinsurance program, this has very little effect on the technical provision for own account. Changes in the technical provision for own account in such cases are thus assessed as having had a limited effect on solvency capital. However, due to the new reinsurance solution that was introduced in 2010, sensitivity for variations of results is higher than it has been in prior years.

The table below shows the development of claims i USD thousands. However, the composition of claims outstanding is approximately 85% USD and 15% EUR. Accordingly, when comparing figures in the table, it is important to keep in mind that there is a currency effect associated with these currencies. But, this effect is influenced by the opposite trend of the exchange rate impact on investments. For more information, please see the section on currency exposure.

Insurance year	2008	2009	2010	2011	2012	2013
Estimated final claims cost (net) at the end of:						
claim year	75 984	71 519	74 677	109 095	103 837	81 932
one year later	71 580	69 368	71 821	98 453	94 945	
two years later	71 314	68 730	68 546	94 713		
three years later	71 564	66 352	65 685			
four years later	72 338	65 239				
five years later	72 132					

Reinsurance risks

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

The Club has had a consistent reinsurance strategy for many years. For Marine & Energy, the Club purchases its own protection. This is based on a long relationship with some of the world's leading reinsurance companies – a collaboration that has been productive for all of the parties involved. For P&I, the reinsurance is based on the cooperation within the International Group of P&I Clubs, where claim costs between USD 9 million and USD 70 million are pooled (the Pooling Agreement). To supplement this, the Group purchases reinsurance protection up to USD 3 080 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 40 million in excess of USD 30 million and also part of the layer USD 500 million in excess of USD 70 million. More information on the International Group is available at www.igpandi.org

Since 2010, The Swedish Club has had a reinsurance solution for the level USD 8 million in excess of USD 2 million, which covers the insurance classes, Marine & Energy and P&I. The thought behind this structure is to combine the protection for the different classes and only retain the first USD 2 million per combined claim. With this structure, the Club retains all claims in the layer USD 8 million in excess of USD 2 million during a normal claims year by means of an annual aggregated deductible of USD 33 million. The reinsurance will only come into force in a poor claims year, when the claims in this layer exceed the annual aggregated deductible.

Operational risks

The Club is exposed to many operational risk. Different parts of the organization participate in self-assessment activities to identify, analyse and provide input that makes it possible to model these risks.

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 a contingency plan for such situations, which is evaluated annually.

Financial risks

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

The investment philosophy is based on risk diversification and investing primarily in assets with a high level of creditworthiness. In order to minimise and control risks, the Board of Directors establishes an investment policy (Investment Directive), which governs the composition, control and authority of the investment portfolio. A model has been developed in order to stress the investments and measure the total value at risk. It is based on the same principles that are suggested in Solvency II and it measures the exposure of shares, currencies, interest rates and maturities.

According to the model, risk exposure has increased from USD 15 million at the beginning of the year to approximately USD 26 million at the end of 2013. The increase is primarily explained by the fact that, at the end of 2012, we had a lower than normal exposure to equities.

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

2013	Financial assets at fair value through the income statement	Loans receivables	Total carrying amount	Fair value
Assets chosen to be recognised in category				
Financial assets				
Shares	73 441	–	73 441	73 441
Bonds and other interest-bearing securities	211 523	–	211 523	211 523
Receivables	-	38 274	38 274	–[1]
Total Financial assets	**284 964**	**38 274**	**323 238**	**284 964**

2013	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	22 701	22 701	–[1]
Total Financial liabilities	**22 701**	**22 701**	**–**

2012	Financial assets at fair value through the income statement	Loans receivables	Total carrying amount	Fair value
Assets chosen to be recognised in category				
Financial assets				
Shares	39 792	–	39 792	39 792
Bonds and other interest-bearing securities	285 159	–	285 159	285 159
Receivables	–	44 946	44 946	–[1]
Total Financial assets	**324 951**	**44 946**	**369 897**	**324 951**

2012	Other financial liabilities	Total carrying amount	Fair value
Financial liabilities			
Other liabilities	22 702	22 702	–[1)]
Total Financial liabilities	**22 702**	**22 702**	**–**

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

Calculation of fair value

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

Level 1

For financial instruments listed on an active market, investment assets, the fair value is determined on the basis of the asset's listed buying rate on the reporting date, not including transaction costs (e.g. brokerage fees) at the time of acquisition. Any future transaction costs related to disposal are not taken into account.

Level 2

In those few instances where prices are not available in an active market, valuation has been made by an independent nominee, who, by own account, has used price components that can be observed on the market and which therefore are included in level 2.

In the tables to the right, information is provided on how fair value is decided, based on the description of the levels provided above, for the financial instruments that are valued at fair value in the balance sheet.

Market risks

Market risks include fluctuations in interest rates, exchange rates and share prices. The Club operates in an international environment, with revenue, expenditures and investments in various currencies. One objective is to hedge investment assets currencies with claims cost currencies, in order to minimise currency risks. In addition, the Club seeks to match the duration of investments with the anticipated duration of liabilities. As of 31 December 2013 the duration of fixed income securities was 3.1 (2.9) years.

A change in interest rates of 1% would result in a change in the value of the bond portfolio of approximately USD 6 (8) million.

As of 31 December 2013, currency exposure for the Club's most important currencies was USD 33.4 (10.8) million (see the table, below). As all decisions regarding currency positions are based on a US dollar perspective, the Club has chosen to regard solvency capital as consisting entirely of US dollars.

2013	Level 1	Level 2	Total
Shares	56 085	17 355	73 441
Bonds and other interestbearing securities	198 211	13 312	211 523
Total	**254 296**	**30 667**	**284 964**

Currency exposure	EUR	GBP	SEK
Investment assets	28 481	–	19 369
Receivables	6 211	2 618	6 725
Other assets	1 481	669	6 109
Total assets	**36 173**	**3 287**	**32 203**
Equity and untaxed reserves	–	–	–
Technical provisions, net	-26 405	-15	-143
Other liabilities and provisions	-875	-770	-10 015
Total liabilities and provisions	**-27 280**	**-785**	**-10 159**
Net exposure	8 893	2 502	22 044

Approximately 26 % of the Club's investments are quoted shares. All equity exposure is in well-diversified funds or in indexed-linked securities with a high rating. Decisions concerning investments and reallocations of equity investments are the responsibility of the Board of Directors through the Finance & Audit Committee.

The Club's main credit risks are associated with the following items: risk of bond failures, reinsurance compensations, receivables from members and guarantees from 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 212 (285) million invested in fixed income products.

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

During 2013, none of the participating reinsurers 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 2013, premiums more than six months overdue were less than 1.0 (1.1) % of the 2013 gross premium.

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

Capital requirements

The Swedish Financial Supervisory Authority's oversight of insurance companies includes a quarterly reporting requirement for minimum solvency capital and capital base.

The table below shows that the solvency requirement is low compared to the capital base. Alternative calculations are performed to reflect future solvency-related risks, e.g. via the Swedish Financial Supervisory Authority's traffic-light system. Solvency risk is the risk of the Club not being able to meet its obligations to the policyholders.

Creditworthiness for classes of financial assets at fair value*	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	14 571	66 750	47	3 997	–
Other foreign issuers	18 025	18 470	32 371	33 632	23 660
	32 596	85 220	32 418	37 629	23 660

** Rating by Standard & Poor's and Moody's*

Capital base and solvency requirement at 31 December, USD million

	2013	2012	Change
Capital base	167.8	150.7	+17.1
Regulatory solvency margin	39.2	35.9	+3.3
Surplus	**128.6**	**114.8**	**+13.8**

Note 3. Premiums written by geographic area (Direct insurance)

Note 3. Premiums written by geographic area (Direct insurance)	2013	2012
Greece	38 305	37 008
Germany	37 246	37 756
China	28 188	24 058
Sweden	9 037	8 392
Norway	8 502	8 210
Other countries	53 464	54 156
	174 742	**169 580**

Note 4. Investment income transferred from the non-technical account

Note 4. Investment income transferred from the non-technical account	2013	2012
Allocated investment income transferred to the technical account	**3 700**	**3 800**

Investment income is reported in the non-technical result. From 2006 a model is used for the calculation of investment income transferred from the financial business to the technical account. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment. The interest rate used corresponds to the expected yield on the investment portfolio. For 2013 the expected yield was 2.2 per cent (the actual yield was 3.6 per cent). For previous years of 2012 the interest rate corresponded to the interest on 3-year risk free investments. The change in method is done to better reflect an expected return from the investments over time.

	2013	2012
Average interest rate	2.2%	2.2%

Note 5. Claims paid

Note 5. Claims paid	2013			2012		
	Gross	Reinsurers share	Net	Gross	Reinsurers share	Net
Current year:						
Claims Paid	-32 293	–	-32 294	-42 885	1 030	-41 855
Claims Handling Costs	-9 424		-9 424	-9 406		-9 406
Previous years:						
Claims Paid	-123 577	28 104	-95 473	-265 085	203 804	-61 282
	-165 294	**28 104**	**-137 190**	**-317 376**	**204 834**	**-112 543**

Note 6. Net operating expenses

Note 6. Net operating expenses	2013	2012
Specification of net operating expenses reported in the income statement:		
Acquisition costs	-12 257	-11 726
Change in prepaid acquisition costs	352	-251
Internal operating expenses for acquisition of insurance contracts	-6 901	-8 466
Acquisition costs	-18 806	-20 443
Administrative expenses	-8 469	-5 823
Net operating expenses	**-27 275**	**-26 266**

Allocation of other operating expenses in the income statement:

Claims handling expenses reported as claims paid	-9 424	-9 406
Finance administrative expenses reported as investment costs	-606	-682
	-37 305	-36 354

Total operating expenses analysed under the following categories:

Advertising and selling expenses	-865	-809
Personnel costs	-17 754	-15 471
Travel expenses	-896	-957
Cost of premises	-1 610	-1 511
Office Expenses	-1 490	-2 052
External services and fees[1)]	-4 046	-4 058
Depreciation	-369	-379
Charged claims handling cost	4 244	3 159
Other revenue	94	123
External acquisition costs	-11 905	-11 977
Costs for The Swedish Club Hong Kong Limited	-2 707	-2 422
	-37 305	-36 354

[1)]Operating expenses includes remuneration for audit engagements to KPMG for USD -102 (2012: -98) thousands, audit consulting USD -30 (2012: -28), tax consulting USD -6 (2012: -7) and other assignments USD -13 (2012: -9). In addition, renumeration was paid to PWC related to the independent review function for USD - 26 (2012: -27) thousand.

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

Advertising and selling expenses	-975	-905
Personnel costs	-19 589	-16 946
Travel expenses	-1 036	-1 102
Cost of premises	-2 040	-1 969
Office expenses	-1 590	-2 178
External services and fees	-4 138	-4 180
Depreciation	-369	-379
Charged claims handling cost	4 244	3 159
Other revenue	94	123
External acquisition costs	-11 905	-11 977
	-37 305	-36 354

Note 7. Financial income

Note 7. Financial income	2013	2012
Dividends on quoted shares	146	173
Interest income		
Bonds and other interest-bearing securities	3 991	4 713
Other interest income	807	962
	4 798	5 675

Gains on foreign exchange, net	–	775
Gains on the realisation of investments, net:		
Quoted shares	4 093	1 969
Bonds and other interest-bearing securities	–	2 603
Forward currency contracts	79	353
	4 172	5 699
	9 116	**11 547**

Note 8. Unrealised gains on investments

	2013	2012
Quoted shares	4 296	6 236
Bonds and other interest-bearing securities	–	5 978
	4 296	**12 214**

Note 9. Financial costs

	2013	2012
Internal management expenses	-606	-682
External management expenses	-569	-632
Interest costs	-1	0
Losses on foreign exchange, net	-346	–
Losses on the realisation of investments, net		
Bonds and other interest-bearing securities	-1 140	–
	-2 661	**-1 315**

Note 10. Unrealised losses on investments

	2013	2012
Bonds and other interest-bearing securities	-1 854	–
	-1 854	**–**

Note 11. Intangible assets

	2013	2012
Capitalised expenditure on computer software system		
Opening acccumulated costs	6 472	6 091
Acquisitions	–	–
Revaluation of accumulated acquisition costs	8	381
Closing accumulated costs	6 480	6 472
Opening acccumulated depreciation	-6 181	-5 723
Depreciation for the year	-100	-98
Revaluation of depreciation	-7	-360
Closing accumulated depreciation	-6 288	-6 181
	192	**291**

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

Note 12. Shares in group and associated companies

	2013	2012
Non-quoted shares in subsidiaries:		
The Swedish Club Hong Kong Limited		
1 share nominal value HKD 1	0	0
Non-quoted shares in associated companies:		
The Swedish Club Academy		
750 shares nominal value SEK 100	11	11
	11	**11**

The Club has a subsidiary company which, in accordance with the Swedish Annual Accounts Act 7:5, has not been consolidated since the subsidiary company is of lesser importance with regard to true and fair view requirements.

The Club's ownership of the associated company, The Swedish Club Academy is 50%.

Information about The Swedish Club Academy AB:
CIN: 556798-1435
Registered office: Göteborg
Country: Sweden

Note 13. Quoted shares

	2013	2012
Quoted shares at market value	73 441	39 792
	73 441	**39 792**

Acquisition costs of quoted shares: 65 294 (2012: 35 942)

Quoted shares are specified in the table below:

Name	Number	Acquisition cost	Accounted value
DB MSCI World Index ETF	747 730	27 752	31 901
Carnegie Worldwide Fund	123 826	10 059	11 558
Svensk exportkredit Asia	35 000 000	5 378	5 915
Barclay Asia bond	35 000 000	5 378	6 347
Vontobel Emerging Market Equity Fund	34 765	5 534	5 531
Handelsbanken Europa Selektiv	232 194	6 196	7 096
Ress Life Investments	3 757	4 998	5 093
		65 294	73 441

Note 14. Bonds and other interest-bearing securities

2013	Nominal value	Cost	Fair value	Carrying amount
Foreign governments	56 106	56 645	66 754	66 754
Other foreign issuers	82 060	82 360	71 565	71 565
Total quoted securities	138 166	139 006	138 319	138 319
Bond funds		66 144	73 204	73 204
		205 150	**211 523**	**211 523**

2012	Nominal value	Cost	Fair value	Carrying amount
Foreign governments	114 543	113 748	113 443	113 443
Other foreign issuers	107 109	108 990	111 819	111 819
Total quoted securities	221 652	222 738	225 262	225 262
Bond funds		54 193	59 897	59 897
		276 931	**285 159**	**285 159**

Note 15. Technical provisions

Provision for claims outstanding	2013 Gross	2013 Reinsurers share	2013 Net	2012 Gross	2012 Reinsurers share	2012 Net
Opening balance, provision for reported claims	315 279	-166 851	148 428	348 598	-206 115	142 483
Opening balance, provision for incurred not reported (IBNR)	36 070	-1 670	34 400	36 970	-1 670	35 300
Opening balance	**351 349**	**-168 521**	**182 828**	**385 568**	**-207 785**	**177 783**
Claims occurred during the current year	96 711	-6 131	90 580	124 741	-10 178	114 563
Claims paid current year	-155 870	28 104	-127 766	-307 970	204 834	-103 136
Change in expected cost for claims occurred previous years (run-off result)	24 616	-34 210	-9 594	147 585	-154 741	-7 156
Gains/losses on foreign exchange	2 128	-1 078	1 050	1 425	-651	774
Closing balance	**318 934**	**-181 836**	**137 098**	**351 349**	**-168 521**	**182 828**
Closing balance, reported claims	282 694	-179 996	102 698	315 279	-166 851	148 428
Closing balance, provision for incurred not reported (IBNR)	36 240	-1 840	34 400	36 070	-1 670	34 400
Provision for unearned premiums						
Opening balance	**30 586**	**-2 694**	**27 892**	**31 293**	**-3 432**	**27 861**
Insurance contracts signed during the period	33 042	-3 467	29 575	30 586	-2 694	27 892
Premiums earned during the period	-30 586	2 694	-27 892	-31 293	3 432	-27 861
Closing balance	**33 042**	**-3 467**	**29 575**	**30 586**	**-2 694**	**27 892**

The provision is valued at the exchange rate on the balance day.The exchange rate difference which thus arises is reported under Investment income.

Provision for claims handling included in provision for claims outstanding amounts to 5 607 (2012: 5 607)

The provision for incurred and reported claims is reported including incoming reinsurance amounting to 302 (2012: 460).

Note 16. Receivables related to direct insurance operations

	2013	2012
Policyholders (members)	29 940	33 847
Insurance brokers	26	47
Insurance companies	2 275	1 122
	32 241	**35 015**

Note 17. Tangible assets

	2013	2012
Machinery and equipment		
Opening accumulated cost	3 245	3 024
Acquisitions	244	255
Sales and disposals	-213	-227
Revaluation of accumulated purchase prices	3	193
Closing accumulated cost	3 279	3 245
Opening accumulated depreciation	-2 237	-2 049
Reversed depreciation on tangible assets sold	181	227
Depreciation for the year	-275	-286
Revaluation of depreciation	-2	-129
Closing accumulated depreciation	-2 333	-2 237
	947	**1 009**

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

Note 18. Pensions and similar obligations

	2013	2012
Provision pensions	524	542
Provisions for defered non-vested pension	1 381	1 638
	1 905	**2 179**

The pensions obligations comprise pensions 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, the pension cost comprises the premiums paid for securing the pension obligations in life insurance companies. Total paid premiums during the year was 2 090.

The associations pension plans for collective pensions agreements is guaranteed through insurance agreements. The pension plan for the employees has been assessed as a defined-benefit plan that covers several employers. The company has however done the assessment that "UFR 6 Pensionsplaner" that covers several employers is applicable also for the company's pension plan. The company lacks sufficient information in order to account in accordance with IAS 19, and presents therefore, in accordance with UFR 6, these pension plans as defined-contribution plans. The associations obligations concerning charges to defined-contribution plans has been presented as a cost in the profit and loss account as they are earned through that the employees performed services carried out during a period. Paid premiums to SPP Liv and SKANDIKON during the year was 1 057.

Employees born before 1956 have according to collective agreement the right to retire from the age of 62. The provision is based on anticipated future pension payments and includes assumptions regarding mortality, employee turnover, salary growth and price inflation. Pension payments during the year was 293.

Note 19. Taxes

Note 19. Taxes	2013	2012
Tax on result for the year		
Deferred tax[1)]	-537	-2 657
	-537	**-2 657**

[1)]Tax rate 22% (2012: 22%). Current years deferred tax is assignable to unrealised value changes in investment assets.

Change in provision for deferred tax	2013	2012
Opening balance	2 657	–
Change recognised in income statement	537	2 657
Closing balance	**3 194**	**2 657**

Change in provision for deferred tax reported in untaxed reserves	2013	2012
Opening balance	33 584	40 194
Change reported in untaxed reserves	3 108	-6 610
Closing balance	36 692	33 584

Note 20. Liabilities related to direct insurance operations

Note 20. Liabilities related to direct insurance operations	2013	2012
Policyholders (members)	3 014	4 377
Insurance brokers	2 829	3 123
Insurance companies	76	8
	5 919	**7 507**

Note 21. Other liabilities

Note 21. Other liabilities	2013	2012
Trade creditors	926	1 076
Other creditors	5 928	5 890
	6 855	**6 966**

Note 22. Expected settlement of assets and liabilities

About 40 per cent of claims outstanding is expected to be paid after more than 12 months in the future. Reinsurer proportion of claims outstanding will generally take somewhat more time. Other balance items that are expected to be settled after more than 12 months are 50 per cent of receivables and liabilities pertaining to other insurance companies. The risk of the Club becoming short of cash funds is small in the short run, as the majority of the investment portfolio can be converted to cash within a few days. For more information about liquidity risk, see note 2 and the cash flow statement.

Note 23. Memorandum items

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

	2013	2012
Goverment/municipal bonds, etc.	71 456	133 702
Bonds other	140 067	151 457
Quoted shares	73 441	39 792
Cash and bank balances	24 063	7 366
Receivables related to direct insurance operations	20 281	33 942
	329 307	**366 259**
Technical provisions, net	166 671	210 719
Surplus of registered assets	162 636	155 540
	329 307	**366 259**

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 20,4 (2012 20,4) million.

Note 24. Related party transactions

With the exception of what is required by insurance contracts, there are no related party transactions with Board members (members). Neither are there any related party transactions with senior executives of the Club.

Note 25. Significant events after the balance sheet date

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

Note 26. Personnel

	2013	2012
Average number of employees:		
Sweden	73	69
Greece	15	14
Japan	–	1
Norway	2	1
Hong Kong	13	11
	103	**96**
Of which females	44	40
Females in management team	(17%)	(17%)

Salaries and payments:		
in Sweden		
Chairman of the Board	25	24
of which variable portion	(9)	(9)
Other board members (20 persons)	209	224
of which variable portion	(145)	(161)
Managing Director	416	349
of which variable portion	(38)	–
Management team excluding the Managing Director (5 persons)	982	895
of which variable portion	(93)	–
Other employees	5 945	4 803
in Greece	2 131	1 725
in Japan	–	85
in Norway	482	279
of which variable portion	(895)	–
	10 190	**8 384**

Social security costs:		
in Sweden	5 794	4 822
in Greece	564	489
in Japan	–	12
in Norway	110	66
	6 468	**5 389**
of which pension costs	3 124	2 645
Management team (5)	(104)	(86)

The Managing Director is employed according to a contract with two years' notice on the part of the Association. The heading Provision for pensions in note 18 includes the capital value of a pension undertaking towards earlier management staff amounting to 357 (2012: 348).

Remuneration to the Board has been paid according to decision of the annual general meeting. The distribution of the remuneration, between the Chairman of the Board and the other Board members, is decided by the annual general meeting. The variable part is based on attendance. Remuneration to the Managing Director, MD, is decided by the Chairman of the Board and renumeration to other members of the management team is decided by the MD. Remuneration to the MD and other members of the management consists of a basic salary, other benefits and pensions. For pensions obligations see note 18. No remuneration is paid to board members employed by the Association.

Proposed appropriation of earnings

The Board of Directors proposes that the accumulated deficit -2 102 TUSD is to be carried forward.

The income statement and balance sheet will be submitted for adoption by the annual general meeting on 12 June 2014.

The Board of Directors and Managing Director assure that the annual accounts have been prepared in accordance with generally accepted accounting practices for insurance companies and offer a true and fair representation of performance and financial position. The board of directors' report offers a true and fair overview of the company's operations, performance and financial position, while describing significant risks and uncertainties that the company face.

Auditors' report

This report is translated from the official Swedish annual report in SEK.

To the general meeting of the shareholders of Sveriges Ångfartygs Assurans Förening (The Swedish Club), corp. id. 557206-5265.

Report on the annual accounts

We have audited the annual accounts of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Insurance Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards re-quire that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual ac-counts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

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

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Insurance Companies and present fairly, in all material respects, the financial position of Sveriges Ångfartygs Assurans Förening (The Swedish Club) as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Insurance Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Sveriges Ångfartygs Assurans Förening (The Swedish Club) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Insurance Business Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal is in accordance with the Insurance Business Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Insurance Business Act, the Annual Accounts Act for Insurance Companies or the Articles of Association.

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

Opinions

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

KPMG AB, Gothenburg

Roger Mattsson
Authorised Public Accountant

Auditors and Actuary

Auditors

KPMG AB	Authorised Public Accountant
Roger Mattsson	Gothenburg

Actuary

The Swedish Club	Authorised Actuary
Peter Niman	Gothenburg

P&I policy year statement (unaudited)

As of 20 February 2014. Analysis in USD thousands.		2013/14	2012/13	2011/12
Calls and Premiums accounting year		100 000	91 742	91 356
Reinsurance premiums		-32 035	-24 354	-19 038
Investment income transferd from non-technical account		2 900	2 800	800
Claims paid accounting year 2011				-62 717
Claims paid accounting year 2012			-14 902	-208 863
Claims paid accounting year 2013		-16 994	-50 508	-94 798
Claims handling costs		-6 221	-6 857	-6 307
Reinsurers share paid accounting year 2011				29 300
Reinsurers share paid accounting year 2012			–	207 257
Reinsurers share paid accounting year 2013		–	17 003	70 195
Administrative expenses		-13 825	-13 376	-12 675
Technical balance available to meet claims	A	33 825	1 548	-5 490
Net outstanding claims **				
Pool		11 258	-18 612	1 242
Members claims		25 841	41 371	1 124
	B	37 099	22 759	2 366
Technical result insurance year	**A–B**	**-3 274**	**-21 211**	**-7 856**
Total investment income P&I*		7 320	17 878	2 865
Investment income transferd to technical account		-2 900	-2 800	-800
	C	4 420	15 078	2 065
Balance available to meet outstanding claims	**A–B+C**	**1 146**	**-6 133**	**-5 791**

** P&I bussiness part of investment income is accounted for in the policy year in which it arises.*
*** All reserves for outstanding claims are uplifted to include IBNR*
All figures are shown net of taxation.

- As the policy year ends 20 February for P&I we have attached a policy year statement together with income and expenditure account synchronising with this period.
- The policy year statement above shows the likely outcome of the open policy years at 20 February 2014.
- Balance available to meet claims outstanding for all years is a calculated estimate of generated surplus from the P&I business. The balance available amounts to TUSD 113 026 whereof closed years TUSD 123 804.
- The income and expenditure account on the next page shows the estimated result for one accounting year ended 20 February regardless of policy year.

P&I income and expenditure account (unaudited)

For the year ended 20 February 2014. Analysis in thousand USD.	2013/14	2012/13	2011/12
Calls and premiums	100 000	91 742	91 356
Reinsurance premiums	-32 035	-24 354	-19 038
Claims paid	-160 641	-207 161	-94 022
to Pool	-14 858	-13 529	-4 187
on own business	-145 783	-193 632	-89 835
Change in provision claims	68 045	19 421	-127 645
to Pool	-14 226	-8 529	-9 185
on own business	82 271	27 950	-118 460
Reinsurance recoveries	85 902	143 748	40 399
from Pool	27 741	50 236	31 856
Group	67 178	83 566	4 980
other reinsurers	-9 017	9 946	3 563
Change in provision claims	-47 239	-20 427	116 561
from Pool	7 389	-35 984	58 155
Group	-37 177	-31 045	56 598
other reinsurers	-17 451	46 602	1 808
Claims handling costs	-6 221	-6 857	-6 307
Technical result	**7 811**	**-3 888**	**1 304**
Investment income*	7 320	17 878	2 865
Administrative expenses	-13 825	-13 377	-12 675
Result	**1 306**	**613**	**-8 506**

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

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

Anders Boman
Wallenius Lines
Stockholm, Sweden

Chen Xiang
Cosco Container Lines Co Ltd.
Shanghai, The People's Republic of China

Fred Cheng
Shinyo International Group Ltd.
Tokyo, Japan

Peter Claesson
Stena AB
Gothenburg, Sweden

Demetri Dragazis
Latsco London Ltd.
London, United Kingdom

Rob Grool
Seaspan Ship Management Ltd.
Vancouver, Canada

Gustaf Grönberg
Star Cruises Management Ltd.
Kuala Lumpur, Malaysia

Lars Höglund
Furetank Rederi AB
Donsö, Sweden

Board of Directors

Kim Kyung Soo
IMC Corp.
Singapore, Singapore

Andonis Lemos
Enesel S.A.
Athens, Greece

Diamantis Manos
Costamare Shipping Co. S.A.
Athens, Greece

Sumate Tanthuwanit
Regional Container Lines Co. Ltd.
Bangkok, Thailand

Michael Vinnen
F.A Vinnen & Co.
Bremen, Germany

Jakob Osvald
Elected by the employees

Anders Källsson
Erik Thun AB
Lidköping, Sweden

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

John P. Samartzis
J P Samartzis Maritime Enterprises S.A.
Piraeus, Greece

Suay Umut
Dünya Denizcilik ve Ticaret A.S.
Istanbul, Turkey

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

Elisabeth Rydén
Elected by the employees

Management Group

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 prior to joining The Swedish Club. Served at the Hong Kong office 1988–1991. Deputy Managing Director 2003–2008, prior to his appointment as Managing Director in July 2008. Member of the International Group of P&I Clubs' Committees and Working Groups and Det Norske Veritas (DNV). He also serves as chairman of the IUMI Ocean Hull Club Committee and on the board of directors of the Swedish Sea Rescue Society.

Jan Rydenfelt

Director of Finance, IT & Reinsurance

Born: 1954 • **In management group since:** 1999

Master of Arts in Economics, University of California, Santa Barbara and Bachelor of Business Administration from University of Lund. Assistant to the managing director of Länssparbanken Gothenburg. Next various positions within the financial sector, whereof the latest, before The Swedish Club, as property consultant at Catella, IKEA Group.

Helena Wallerius Dahlsten

Director of Human Resources

Born: 1955 • **In management group since:** 2003

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

Lars A. Malm

Director of Risk & Operations

Born: 1969 • **In management group since:** 2007

Master of Law from University of Gothenburg and Oslo. Came from the Swedish insurance company Skandia and joined The Swedish Club in 2000 as a Hull Claims Adjuster. In 2003 appointed Area Manager. Assumed the current role as Director of Risk & Operations in 2008.

Anders Leissner

Director Corporate Legal & FD&D

Born: 1969 • **In management group since:** 2011

Master of Law from University of Lund. Legal Counsel at GF Konsult 1997–1998. Joined The Swedish Club 1998 as P&I and FD&D claims handler and served at the London office 2001–2003. Appointed FD&D Manager in 2003. Serves on various International Group of P&I Club Committees and BIMCO Documentary Committee.

Jacob Vierö

Director of Marketing & Business Development/Acting Area Manager

Born: 1962 • **In management group since:** 2013

Degree in Naval Architecture and Marine Engineering from the Danish University of Technology, Project Management, Chalmers University of Technology and Economics for Engineers, Stockholm School of Economics. Several managerial positions in the marine and automotive industry, most recently as Director of Sales & Marketing at Kuka.

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 dollar 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.
Claims frequency:	observed relationship during a specific period between the number of claims arising within a certain category of insurance and the number of insurance policies within the same category. Does not include major claims.
Combined ratio:	claims for own account and net operating expenses in the insurance business, as a percentage of earned premium f.o.a..
CTL, **Constructive Total Loss:**	is when the vessel is beyond any reasonable cost for repairs. The damage or damages to the ship will cost more to repair than the insured value.
Energy:	insurance comprised of Hull & Machinery, Increased Value, Hull Interest, War, Loss of Hire for Mobile Offshore Units and FPSO. For more information, please read about 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:**	a cover that provides for advice and meets legal costs incurred in pursuing or defending claims covered by this class of insurance pursuant to the Rules. There is no cover under FD&D, however, for the claim itself.
For own account, F.o.a:	net of reinsurance.
H&M, **Hull & Machinery:**	a cover that protects the insured against damage to, or loss of, the vessel or machinery.
IBNR, Incurred but not reported:	a term used to describe an estimation of the claims which may have occurred, but of which the Club is not yet aware, or is only partially aware and for which provisions must be made when calculating the Club's liabilities.
International Group of P&I Clubs:	this organisation arranges collective insurance and reinsurance for P&I clubs and represents the views of the P&I community.
Investment income (or return):	sum total of direct return and realised and unrealised changes in value expressed as a percentage of the fair value of investment assets measured in USD. The monthly time weighted method has been used to calculate the return of active investments. The return has been calculated using the calculation method used internally by the Club for the evaluation of asset management.
Loss ratio:	claims incurred, net of reinsurance, as a percentage of earned premiums f.o.a..
Marine & Energy:	a main class of insurance which includes Hull & Machinery (H&M), Hull Interest, War, Loss of Hire and Energy. For more information, please read about our insurance products at www.swedishclub.com
Maritime Resource Management: **(MRM)**	is a training course intended for seagoing staff, pilots and shore-based personnel. The 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 the purpose of providing 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 2.5 billion in excess of reinsurance.

P&I, Protection & Indemnity: 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 7 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.

Solvency capital: equity less deferred tax assets plus untaxed reserves and deferred tax liability.

Solvency ratio, claims: solvency capital, as a percentage of provision for claims outstanding f.o.a..

Total return: direct yield on investments (operating surplus from buildings and land, dividends received and interest income), unrealised profits and losses and realization result in the sale of investment assets, in relation to the average market value of the investments and cash/bank.

Underwriting: includes the risk assessment and pricing conducted 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.

The Wallenius Group

The Wallenius Group consists of two core businesses: Wallenius Lines – the shareholder in several global shipping companies and owner of some 36 RoRo vessels and Wallenius Marine – overall responsible for technical and environmental development of the fleet as well as responsible for ship management. Anders Boman, President of Wallenius Lines, is also a member of The Swedish Club's Board.

The whole fleet include 160 vessels which operate in almost 40 routes over the world, with the main trades being Asia to Europe and the U.S, Oceania, the Atlantic and the Pacific. Around 1 100 crewmembers work onboard, while 300 employees assist on shore at the head office in Stockholm and in Singapore.

Read more at: www.walleniuslines.com

Figaro

Length O.A	227.8 m
Length BTW P.P	219.3 m
Beam moulded	32.26 m
Air draught ab. ballast water line	44.1 m
Height to upper deck	34.7 m
Draught, design/max	10.3/11.3 m
Deadweight at maximum draft	30 900 t
Gross tonnage	74 258 t
Net tonnage	26 158 t
Number of car decks	13
Capacity deck area	~66 600 m^2
Capacity of car units*)	7 879 RT 43 units
Capacity of cars/buses	3 508/432
Flag	Swedish

**) 1 RT 43 gross unit = 8.40 m^2*

SVERIGES ÅNGFARTYGS ASSURANS FÖRENING
The Swedish Club
Est. 1872

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