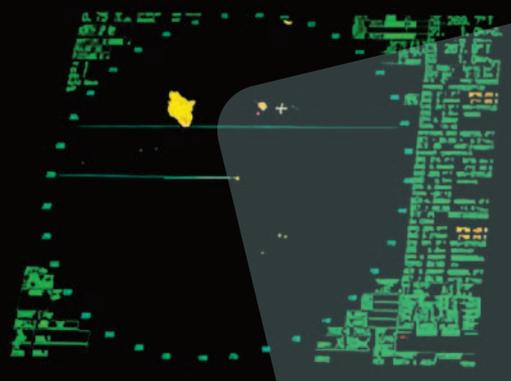
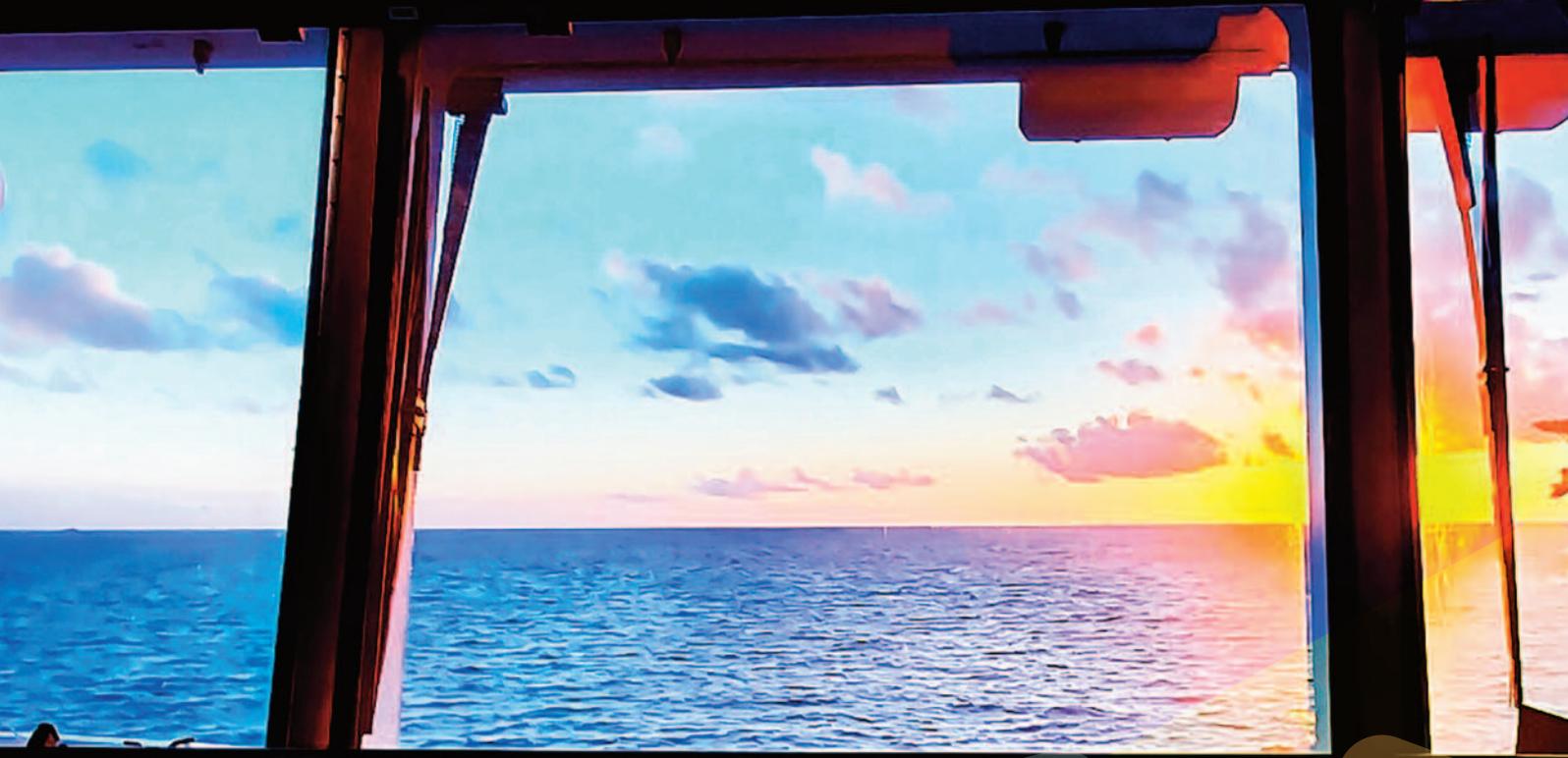




Annual Report 2019

FOR THE YEAR ENDED 31 DECEMBER



Starting fanbeam!

ALTERNATE
ALTERNATE

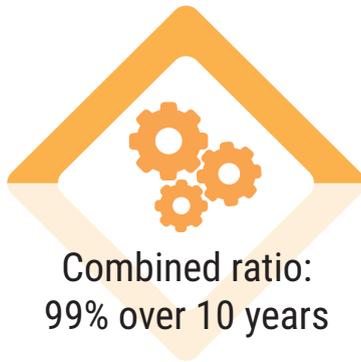


Contents

THE SWEDISH CLUB ANNUAL REPORT 2019

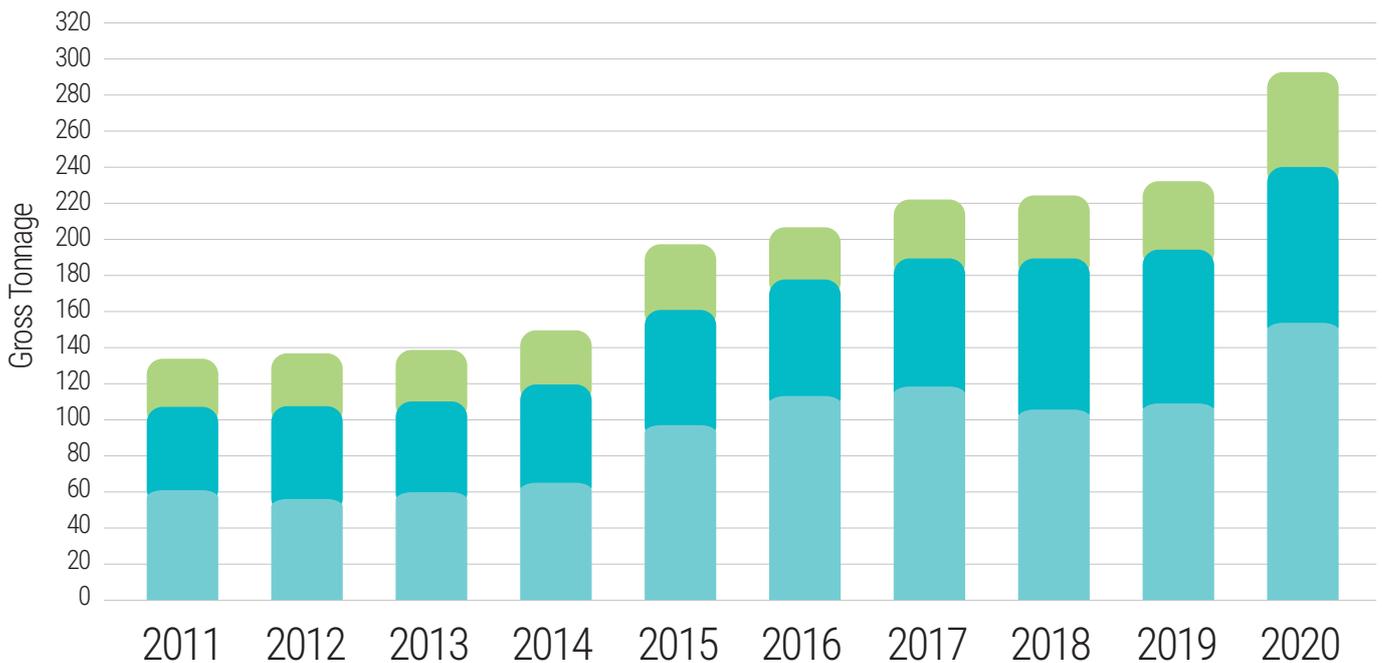
Year in brief	4
Financial highlights	5
At a glance	6
1. Chairman's report	8
A safe journey with The Swedish Club.....	10
Lennart Simonsson, <i>Chairman of The Swedish Club Board</i>	
Board of Directors 2019	12
2. Interview with the Managing Director	14
A year of market movement	16
Lars Rhodin, <i>Managing Director</i>	
3. Inside the engine room	20
The team.....	22
Financial strength	24
Business growth	26
Business environment.....	29
Supporting our members	30
Behind the scenes.....	32
Trade Enabling Loss Prevention (TELP)	34
4. Sustainability	38
Everyday values	40
Malin Högberg, <i>Director Corporate Legal</i>	
Sustainability report	44
5. Financial statements	48
Board of Directors' report.....	50
Five-year summary	54
Income statement	55
Balance sheet	56
Change in equity	58
Cash flow statement	58
Performance analysis per class of insurance.....	59
Notes	61
Independent auditor's report	83
P&I income statement	86
Definitions & glossary	87

Year in brief



GT - Insurance year start

● H&M ● P&I Owners + Charterers ● FD&D Owners + Charterers



Financial highlights

2019

2018

2017

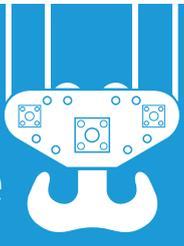
USD millions

	2019	2018	2017
CALLS AND PREMIUMS	157.4	146.1	153.3
REINSURANCE PREMIUMS	-39.2	-34.9	-35.8
NET CLAIMS INCURRED	-101.3	-86.6	-98.1
INVESTMENT RESULT	32.2	-5.9	27.7
OPERATING RESULT*	24.6	-5.2	22.2
P&I DISCOUNT	-	5%	4%
LOSS RATIO	86%	78%	83%
EXPENSE RATIO	21%	21%	21%
COMBINED RATIO	106%	99%	104%
FREE RESERVES AT YEAR END	228.4	203.8	213.5

* Before decided P&I discount.

At a glance

80 million
Total gross tonnage
P&I incl. Charterers' liability



>6,000
Entered vessels
All classes



Insurance facts



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

NUMBER OF VESSELS

2,247	1,913	1,890	1,674	1,633
-------	-------	-------	-------	-------

GROSS TONNAGE (MILLION)

86	76	75	74	71
----	----	----	----	----

FD&D INSURANCE, 20 FEBRUARY

NUMBER OF VESSELS

1,526	1,198	1,140	841	895
-------	-------	-------	-----	-----

MARINE H&M INSURANCE INCL. OSVS, 1 JANUARY

NUMBER OF VESSELS

3,534	2,779	2,606	2,996	3,034
-------	-------	-------	-------	-------

INSURANCE VALUE (USD MILLION)

98,691	77,175	76,460	92,960	97,575
--------	--------	--------	--------	--------

OF WHICH THE CLUB HAS INSURED (USD MILLION)

11,819	8,451	8,227	10,495	11,094
--------	-------	-------	--------	--------

Call history, policy year



P&I INSURANCE

GENERAL INCREASE (OWNERS' P&I)

2020/21	2019/20	2018/19	2017/18	2016/17
5%	0%	0%	0%	0%

ADDITIONAL CALL/ESTIMATED ADDITIONAL CALL

2020/21	2019/20	2018/19	2017/18	2016/17
0%	0%	0%	0%	0%

OPEN/CLOSED

2020/21	2019/20	2018/19	2017/18	2016/17
OPEN	OPEN	OPEN	CLOSED	CLOSED

FD&D INSURANCE

GENERAL INCREASE

2020/21	2019/20	2018/19	2017/18	2016/17
0%	0%	0%	0%	0%

ADDITIONAL CALL/ESTIMATED ADDITIONAL CALL

2020/21	2019/20	2018/19	2017/18	2016/17
0%	0%	0%	0%	0%

OPEN/CLOSED

2020/21	2019/20	2018/19	2017/18	2016/17
OPEN	OPEN	OPEN	CLOSED	CLOSED





1

Chairman's report

A safe journey with The Swedish Club

How to sum up 2019? While it was a good year overall for The Swedish Club's members, the shipping market continued to be a tough voyage for many, says Lennart Simonsson, Chairman of The Swedish Club. As he points out, members' perspectives vary, depending on their market segment and the way in which they trade in that segment.

"On the positive side, for some there was light at the end of the tunnel," he says. "There was an increase in earnings in some segments – especially container ships. Tankers and gas carriers also saw some positive developments especially in the latter part of the year. What will happen now within the new environment – low-sulphur fuels, scrubbers, more sanctions – is another story."

A focus on quality and safety

"The Club is also well positioned to make its mark in a shipping industry that is becoming ever more regulated and concerned with safety," says Simonsson. "I think this is really where The Swedish Club can play an active role. It is very important for us to feed back information to our members and assist them in improving their business and driving for operations based on quality and safety."

"The crucial fact is, the more information we give our members and the more incidents we can avoid, the better it is for our members and our Club. Fewer accidents means better income and it is all about building trust between parties."

Adapting to change

Political uncertainty, climate change challenges, trade wars – for the shipping industry none of these things are new, he insists. "The shipping industry has a long history of adapting to change and a long history of driving development in order to make everyday life easier for people. Life goes on – but I do think we are seeing more rapid change than we did in the past."

There are some concerning trends, however. "We have seen that some countries don't respect international rules and treaty commitments regarding liabilities and costs for accidents. If it suits a country, they will go beyond the rules – and that is a dangerous step."

"We have also noted that sanctions start long before the official date. As soon as they are announced, bunkering, freight and the whole system comes to a halt – the effects are immediate."

In both aspects, the most important thing we can do is to increase feedback to our members in order to avoid accidents and ensure compliance."

A robust Board

The composition of The Swedish Club's Board is vital in that it provides a highly relevant and direct line between members and management, according to Simonsson. "Anything of importance is immediately shared – this close contact between management and the Board is in the best interests of our members. Our hands-on approach makes The Swedish Club unique. We have quite a large Board reflecting the various geographical areas of our members, as well as representing various disciplines, e.g. legal, technical, operations, risk management and commercial strategies.

This fits well with Solvency II 'fit and proper' requirements for the Board, where defined competencies must be represented.

"The Club also works closely with our members' technical departments so that if we have any kind of issue, we can feed back that information quickly," adds Simonsson

Supporting members

Simonsson is delighted with the Club's excellent return on financial investment but emphasises: "We don't want to have a lot of money in-house just for the sake of it. It's there to support members."

The Swedish Club's strategy and drive remain unchanged, the Chairman concludes. "I have said this before, but I will repeat it – we are here to share information and experience so that incidents are avoided as far as possible, and to give our members the best protection should an accident occur. We have a clear strategy and our approach is all about steering carefully, offering stability. A safe journey with The Swedish Club is what we want to offer."



“We have a clear strategy and our approach is all about steering carefully, offering stability.”

Board of Directors



Lennart Simonsson

*Chairman
Gothenburg, Sweden*



Lars Rhodin

*Managing Director
Gothenburg, Sweden*



John Coustas

*Deputy Chairman
Danaos Shipping Co. Ltd.
Piraeus, Greece*



Khalid Hashim

*Deputy Chairman
Precious Shipping Public
Co. Ltd.
Bangkok, Thailand*



Thanasis C. Beis

*Costamare Shipping Co. S.A.
Athens, Greece*



Michael Bodouroglou

*Allseas Marine S.A.
Voula, Greece*



Ryan Chan

*IMC Industrial Group
Singapore*



Peter Claesson

*Stena AB
Gothenburg, Sweden*



Jude Correa

*Seaspan Ship Management Ltd.
Vancouver, Canada*



Demetri Dragazis

*Latsco (London) Ltd.
London, United Kingdom*



Rob Grool

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



Gustaf Grönberg

*Genting Cruise Lines
Kuala Lumpur, Malaysia*

2019

**Gu Zhongdong**

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

**Lars Höglund**

*Furetank Rederi AB
Donsö, Sweden*

**Anders Källsson**

*Erik Thun AB
Lidköping, Sweden*

**Andonis Lemos**

*Enesel S.A.
Athens, Greece*

**Mikael Livijn**

*Wallenius Marine AB
Stockholm, Sweden*

**Lu Jian**

*Winning Shipping Pte. Ltd.
Singapore*

**Twinchok Tanthuanit**

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

**Michael Vinnen**

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

**Weng Yi**

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

**Zou Yingying**

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

**Karoline Rydelid**

Elected by the employees

**Elisabeth Rydén**

Elected by the employees





2

Interview

with the Managing Director

A year of market movement

Ten years ago, The Swedish Club's P&I business totalled 26 million gross tonnes. A decade later it has almost doubled that, at 50 million GT. The Marine side of the business has grown even more dramatically, from 1,400 vessels ten years ago to nearly 3,500 today. Alongside that, the Club's free reserves have doubled and in two of the ten years the Club has given a P&I discount to members.

"Our focus has always been on quality members and balance on the underwriting side," says Lars Rhodin, The Swedish Club's Managing Director. "If you have that, the rest will follow. Our combined ratio has averaged below 100 over the last ten years. We will continue with our balanced approach with emphasis on quality members."

Demonstrating resilience

The Swedish Club delivered an operating result of USD 24.6 million in 2019 and the Club finished the year with free reserves of USD 228.4 million.

This year saw excellent returns on investment just short of 10%, business growth of 8% in premium terms, and the underwriting year finishing with a combined ratio of 106%.

"Against the background of 2019's pricing environment, a combined ratio of 106% can be reported as an acceptable result and one that is competitive in the market. I am satisfied with the result, given the circumstances and we have demonstrated resilience despite challenging conditions. Now we are seeing adjustments in the market as overcapacity recedes and efforts are made to restore balance generally," says Rhodin.

A changing environment

After years of overcapacity and unsustainably low pricing, the picture has started to change. Many syndicates and Marine insurers in London and worldwide have withdrawn or significantly reduced their capacity over the past couple of years. Some have experienced very challenging circumstances.

The contraction of capacity is moving the market towards an improved balance, he notes. Pricing is stepping into line with exposures.

Opportunity for growth

Is this a moment for rapid growth? He quickly responds to that idea. "I am optimistic about growth. We aim to grow but we want to do that selectively, maintaining quality while continuing to deliver the service our members expect."

There are ups and downs in business – for example, the Club saw a 6% increase in P&I business volume in 2019, thanks to a combination of organic growth and new business, in contrast to 2018, where we saw a reduction in overall tonnage in response to sanctions.

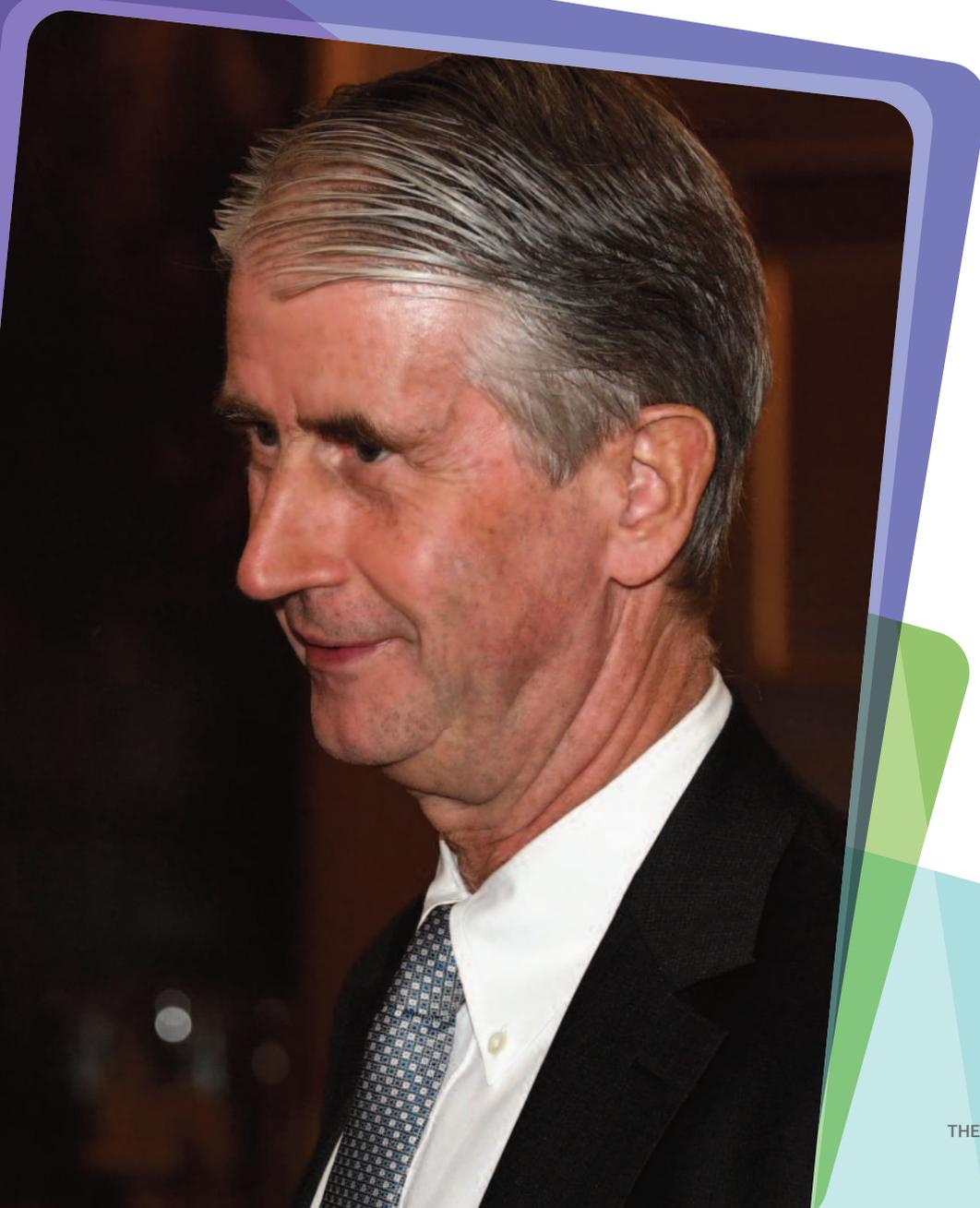
“I am optimistic about growth. We aim to grow but we want to do that selectively, maintaining quality while continuing to deliver the service our members expect.”

Positioned for the future

2019 was the Club's first year of operations following Standard & Poor's upgrade to an A- rating, reconfirmed in January 2020. "We are proud to be in that league, and this was an excellent third-party endorsement," says Rhodin. "For prospective members and also the way the world is developing, with larger units and more risk management at all levels, it will likely become more of a requirement in the next few years – so it positions us well for the future."

A logical decision

Discussing the decision by the Club to introduce a 5% increase in P&I rates, he says: "Anyone studying what has been happening in the P&I liability market over the past four or five years would fully understand the rationale for this adjustment. We have had four years in a row with 0% increase and that has mainly been possible because of the very good safety performance from our members. But during those years we have seen

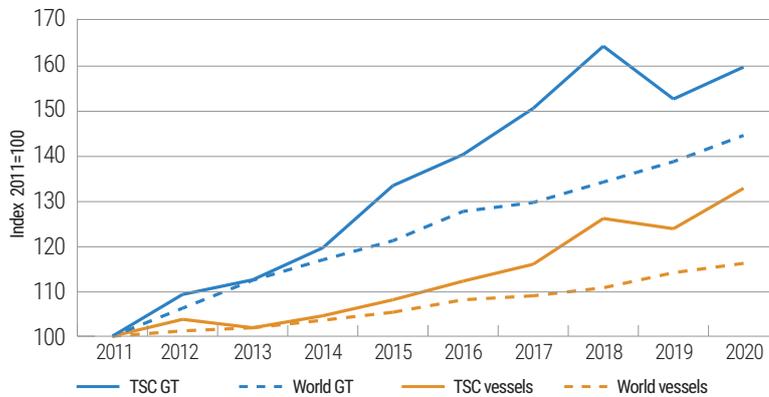


claims inflation of 2.5% a year and an escalating cost of incidents within the International Group, of which we must cover our share.

Trends

Longer-term trends include; increased government intervention, sanctions, the impact of social media, political sensitivities and zero casualty tolerance. Large P&I incidents are all about 'location, location, location' – that, and the availability of equipment to respond, is what determines response cost. "We are also seeing more emphasis on fines and punishment rather than compensatory regimes. Another unfortunate way forward for shipping, leading as it might to different rules all over the world, is when countries disregard international rules and may not honour conventions that they have signed up to," says Rhodin.

The Swedish Club: Fleet vs World Fleet 2011-2020



* Vessels above 300GT

Source: ISL (Institute of Shipping Economics and Logistics) vol. 64-2020

Ultimate Loss Prevention

Through its sophisticated loss prevention activities, including Maritime Resource Management (MRM), Emergency Response Training (ERT) and the new Trade Enabling Loss Prevention (TELP) initiative, The Swedish Club is well

placed to respond to these challenges and support its members. "We always aim to be open and transparent and to have a dialogue with other stakeholders – but nevertheless, the financial consequences of an incident depend so much on where that casualty has occurred."

“We always aim to be open and transparent and to have a dialogue with our stakeholders.”



“Our focus has always been on stability and balance on the underwriting side. If you have that, the rest will follow.”

The Club has achieved a great deal in loss prevention, he says. “There are three steps. First, to accumulate statistics and inform members what went wrong. Second, to do something about it – for example, in MRM Training and ERT. Third, to be more specific and proactive, as in TELP. As our members’ ships enter what we have defined as hotspots or risk areas, we provide them with advance notice of particular risks to be aware of.”

A commitment to the future

Sustainability commitments almost go without saying today and The Swedish Club is constantly reviewing and refocusing its Environmental, Social and Governance (ESG) policies. As Rhodin says: “The starting point is that work is in progress to actively meet

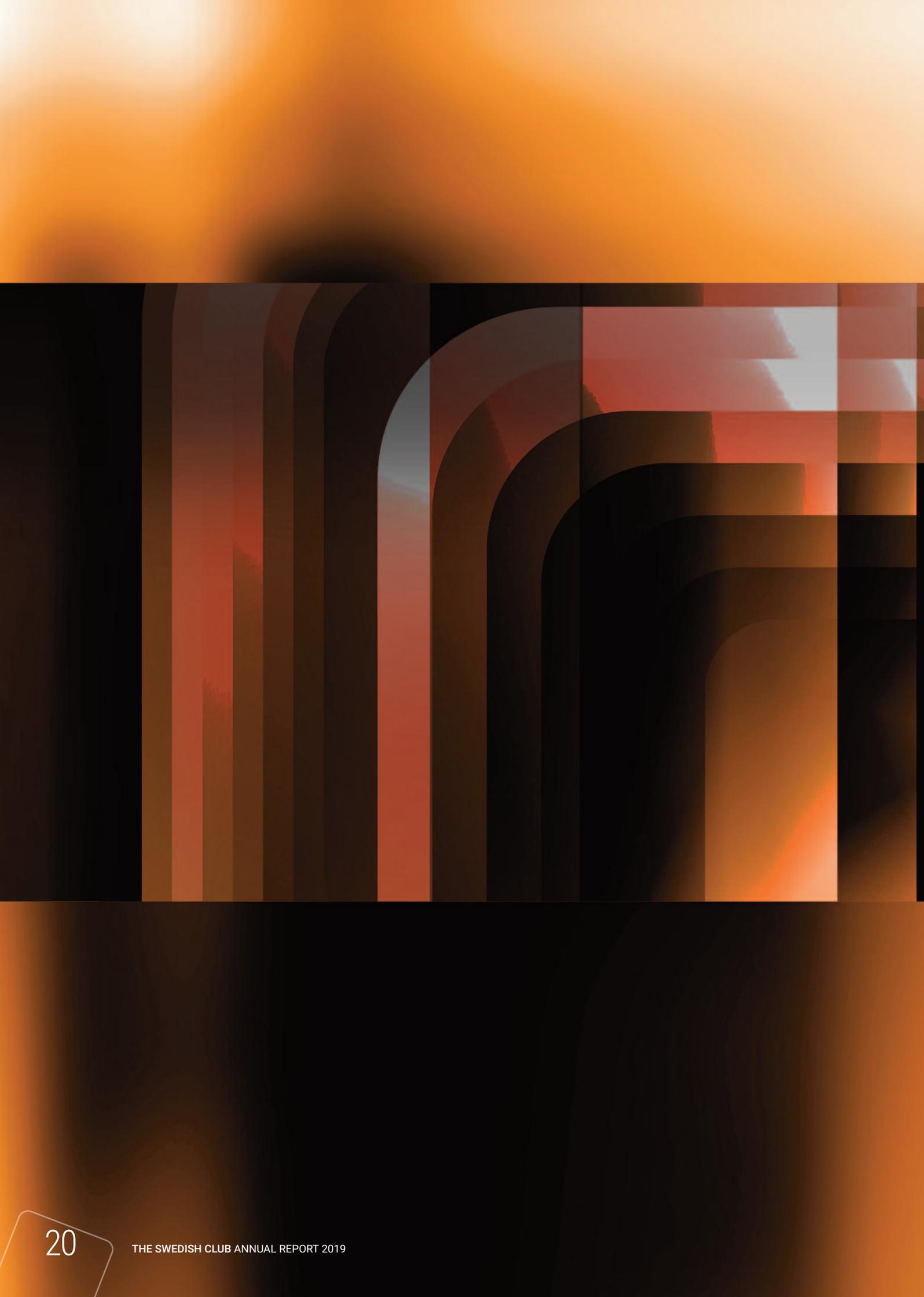
the UN Sustainable Development Goals relevant for our business. For example proactive loss prevention to prevent pollution and keep clean oceans is an integrated part of our business.”

Supporting the International Group

The Swedish Club continues to support the purpose of the

International Group, for the sharing of Pool claims and management and purchase of reinsurance.

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





Inside the engine room

The team



From front to back (left to right)

Lars Rhodin

Managing Director

Born: 1959 | In Management Group since 1997

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

Mikael Kromli

Director, Finance, Risk Management & IT

Born: 1962 | In Management Group since 2015

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

Tord Nilsson

Director, Underwriting, Reinsurance & Risk Control

Born: 1965 | In Management Group since 2014

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

Britta Patriksson

Director, Human Resources

Born: 1965 | In Management Group since 2018

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

Lars A. Malm

Director, Strategic Business Development & Client Relations

Born: 1969 | In Management Group since 2007

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

Malin Högberg

Director, Corporate Legal

Born: 1985 | In Management Group since 2020

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

Financial strength

Strong investment returns in 2019 enabled a USD 24.6 million increase in the Club's free reserves, which closed the year at USD 228.4 million. This was a significant turnaround on 2018.

Investment performance

The Club's return on investment for 2019 was 9.7%, well in line with its benchmark.

Financial markets with significant gains in equity markets and falling US dollar and Euro interest rates contributed to this very attractive return on investment.

With the portfolio split being approximately 20% equities and 80% interest-bearing instruments the exposure remains similar to that of other P&I clubs.

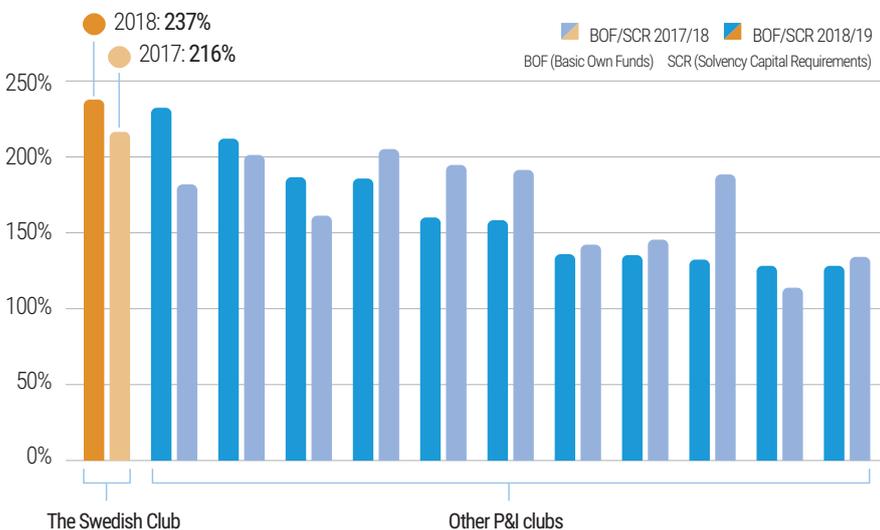
To enable market-leading agility and proactivity, the Club continued to work closely with the financial advisor Mercer. Through

this collaboration the Club benefits from professional analysis capabilities and insights, supporting decision-making and enabling the Club to establish a long-term, as well as a short-term, view.

Price hardening

The strong investment performance served to balance the 106% combined ratio result for the year. In difficult market conditions characterised by soft pricing and adverse claims outcome, the Club's underwriting showed a loss of USD 3 million, however, looking ahead, a continued improvement in pricing conditions is expected. Marine insurance continues to be highly

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



“Prudent risk taking, consistent and predictable behaviour – it pays off in the long run.”

Mikael Kromli

Director, Finance, Risk Management & IT



competitive, but after many years of overcapacity and soft pricing, it seems the industry has turned a corner towards more sustainable rates. This price hardening was too late to have much impact on results for 2019 but is expected to have medium to long-term favourable effects.

Claims

Members' claims were broadly in line with expectations. The Club did not incur any Pool claims in 2019, but as 2018 and 2019 were challenging years for other International Group clubs, the Club shouldered its share of total Pool claims.

Solvency

The Swedish Club has once again delivered one of the strongest solvency rates of all the International Group clubs. This reflects the long-term approach of the Club, its discipline in not over-reacting to short-term developments, and its record of honouring its commitments and doing what is right.

Discipline also underlines the Club's underwriting – it does not target volume for the sake of it, but only volume that fits with its high-quality membership.

In challenging times and against the background of fluctuating market conditions, The Swedish Club has emphatically demonstrated its resilience.

Business growth

In a strong year of growth for The Swedish Club, it saw its P&I and FD&D business increase by 6% in terms of gross tonnage and vessel numbers, while P&I and FD&D membership grew by 7.5%.

Market correction

More significant, however, were the developments in its H&M business, which grew by 20% in terms of vessel numbers and members during the year. That increase reflected a long overdue correction in the market – as capacity reduced, many owners turned back to the Club for their insurance needs.

The Club now has more than 80 million gross tonnes entered for P&I (including charterers' entries). The total number of vessels entered with the Club across all classes of insurance now exceeds 6,000.

The all-in-one effect

Against the background of this significant reshaping of the market, The Swedish Club is well positioned. It is committed to maximising output in terms of its unique all-in-one offering and its added value – in claims as well as loss prevention advice for members.

The Club's owners recognise the value of being able to purchase all their insurance in one place. Thanks to the Club's broad-based membership, it has a wealth of knowledge and experience which it shares with its members. Having many 'entry points' to business means that the Club can talk to members throughout the year, thanks to the differing renewal dates for H&M, P&I, FD&D, war risks and charterer's liability coverage. This puts the Club in a strong position to expand its business into other classes of insurance; that expansion in turn reduces volatility and enhances predictability.

In addition the Club is able to use its key loss prevention initiatives - Maritime Resource Management (MRM), its Marine Insurance Course (MIC), Emergency Response Training (ERT) and the new Trade Enabling Loss Prevention (TELP) initiative to demonstrate to members the importance of working with a provider that understands the complexity of every aspect of marine insurance.

Developing business

The Club has continued with its strategy of taking on follow line business and converting this to lead lines – every year it is able to convert about 15% of follow vessels to lead vessels. Once again, this emphasises the Club's unique opportunity to capitalise on close relationships and to feed into the P&I side of the business as well. During 2019, it increased the number of lead vessels by 20%.

“It is vital to provide good value for money for our members at all times and we are positioned to act swiftly according to our members' needs.”



Lars A. Malm

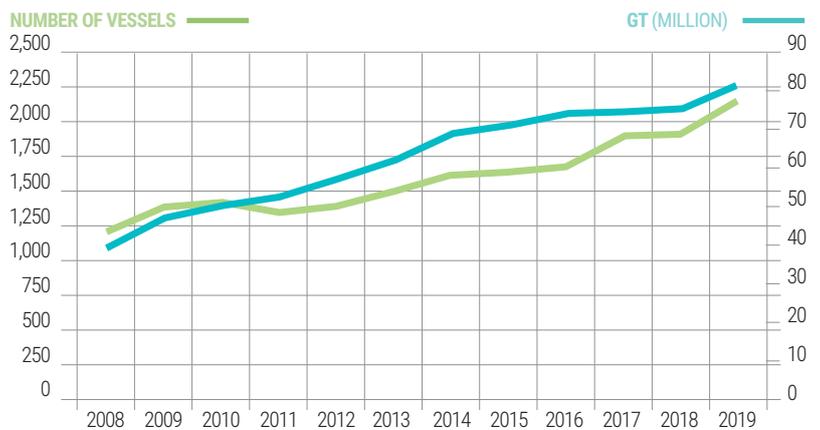
Director, Strategic Business Development & Client Relations

“We offer our members a full range of marine insurance and top-quality expertise worldwide.”



Tord Nilsson
Director, Underwriting, Reinsurance & Risk Control

P&I growth 2008-2019 incl. Charterers' liability (31 Dec)

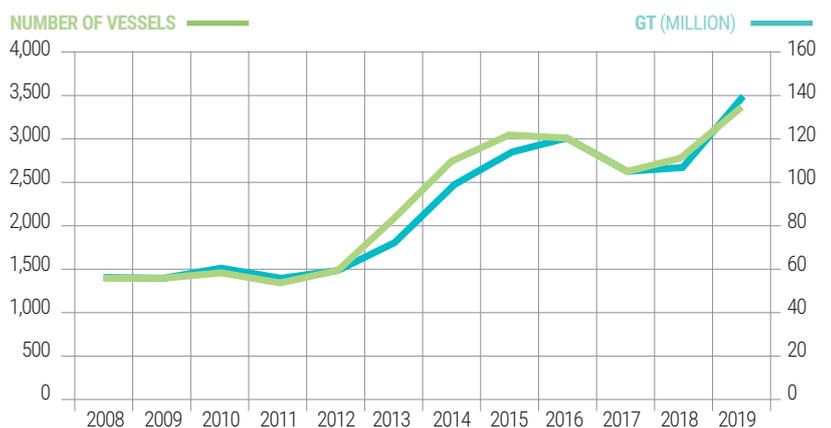


The Swedish Club always takes a long-term and structured approach to business. It has a very wide knowledge, a strong reputation in the market and can respond quickly to change.

Above all, growth must be sustainable. The Club focuses on serving high-quality members trading larger and younger vessels around the world, mainly tankers, bulkers and container ships.

While the Club sees significant growth opportunities in 2020 and beyond, there is an understanding of the importance of managing the business cycle and steering its underwriting towards profitable areas. It is vital to provide good value for money for the Club's members at all times – and when it comes to growth, it is even more vital to time and judge its expansion properly.

H&M growth 2008-2019 (31 Dec)





Forward thinking

The Swedish Club works continuously with its members and business partners to develop global marine insurance of exceptional quality. Its diversity of products is aimed at supporting the high demands of the shipping world.

Every member of the Club has met our demanding conditions of entry. These standards can only be met with total commitment to quality and an openness to innovation moving forward.

Gothenburg – Piraeus – Hong Kong – Tokyo – Oslo – London



www.swedishclub.com

Business environment



Casualties

Although 2019 saw a number of major casualties in the Marine and P&I markets, The Swedish Club completed its calendar year without itself experiencing any catastrophic claims. Nevertheless, the Club must take its share of Pool liabilities, and in 2018/2019 Pool claims added up to the second highest total in 15 years, with an indication that the curve is more normalised in 2019/2020.



Pricing

Marine insurance has been clearly under-priced for some time but now the market is seeing a significant contraction in capacity, with movements in pricing stepping in line with exposures and a discernible change in balance in the market.



Shifting balance

The Club has demonstrated resilience through a soft marine market for five years. The balance is changing, and the market is finally recognising that adequate premiums will be required to meet evolving liabilities and expected claims.



Location, location, location

From the insurance point of view, the Club has learned that the place of an incident determines liabilities and cost and that some countries do not respect international rules or honour international conventions they have signed up to – they will instead try all means to circumvent what they have agreed to follow. In short, this is not a fair, level or transparent, playing field.



Political uncertainty

Climate change and the IMO 2020 sulphur cap, political uncertainty and sanctions are key challenges for the Club and its members.



Social media

On top of this, shipowners are acutely aware that social media can throw an instant spotlight on the slightest mishap or error. There is no tolerance of marine casualties. Pollution has become an accelerated political issue thanks to instant reporting, social media and drones, and there is little or no time for reaction.



Sanctions

Sanctions are also 'moveable' in that they become applicable in practice not when they are due to start but effectively as soon as they are announced. Once again, there are different rules for different situations.

Supporting our members

2019 was the year in which The Swedish Club made the change from providing generic loss prevention advice to delivering a more tailored, individual approach – offering specific advice to specific vessels as they head into hotspots around the world.

Improving safety

Our loss prevention work is carried out with one purpose – to improve the overall safety of the industry in which we work. We understand that our members may need to trade their vessels in difficult locations, often where the charterer sends them. Our advice isn't about preventing that business, but about enabling and supporting our members to do what they must do, as safely as possible.

Trade Enabling Loss Prevention (TELP)

Our unique TELP tool was successfully piloted with a small number of members during the year, in preparation for a full-scale launch at the start of 2020.

The TELP system uses AIS technology to track members' vessels and automatically identify any that are moving towards an area that we have identified – through our own claims statistics – as being of particular risk. We are then able to generate tailored advice which is sent out to the member before arrival.

Thanks to our well maintained Loss Code system we have in-depth knowledge as to why casualties occur. We have asked



what was involved, where and why, and we have then been able to draw on this information to create a list of hotspots – from ports known for problems with pilotage or towage, to those with navigational challenges in the approach channel or known for a high number of groundings or collisions. This is combined with updates from our local correspondents to provide as clear and detailed a picture as possible.

Maritime Resource Management (MRM)

It is a quarter of a century since The Swedish Club pioneered the concept of MRM, focusing on the impact of human error in the maritime industry. This training, provided through The Swedish

Club Academy, continues to be an important feature of the Club's brand.

Between 80% and 90% of casualties are caused by human error and that is specifically what MRM is designed to address – focusing on a culture of teamwork and clear communication, and tackling obstacles such as cultural differences, lack of focus, and seafarers' reluctance to challenge authority if they think something is wrong.

Our MRM training is particularly valuable because we do not differentiate between different classes of insurance; being a member of an all-in-one provider gives access to the whole of our experience and knowledge across insurance.

Emergency Response Training (ERT)

Equally, ERT draws on the width and depth of our knowledge and enables both members and prospective members to work closely with key personnel in our teams. ERT can involve a range of personnel – from top management to superintendents and ships' officers. Through these exercises, we can

understand and learn more about their commercial realities, and they understand better our role as underwriter and are able to get to know the people who would handle any claim.

All our loss prevention publications, advice and initiatives are designed to be relevant, hands-on and easy to implement into our members' daily operations. And they are bearing fruit.

The Swedish Club has been using statistics and data for many years to build models of both claims and premiums. We are constantly looking for new ways of using developments within the IT sector to work more efficiently and to make better use of the current and incoming data.

“Our loss prevention work is carried out with one purpose – to improve overall safety of the industry in which we work.”

Lars A. Malm

Director, Strategic Business Development & Client Relations



Behind the scenes

The Swedish Club's HR team is responsible for recruitment, employment and training across the Club. Crucially, this includes ensuring that new recruits are made welcome, are well supported, and can quickly embrace the Club's culture and values.

Each new person is carefully selected, based on a detailed assessment of what skills are in place and what might be missing. When a position becomes vacant, there are questions to be asked – which skills and competence are required? Who would fit best into the group? Has the role changed since it was last filled?

When it comes to those already employed, assessments go both ways.

The Club frequently undertakes an employee survey in which employees are asked how they feel about their jobs, their teams, their managers and their working conditions. The responses are gathered through discussions and workshops, as well as written replies – very much like taking the temperature of the staff.

Staff appraisals have always been carried out regularly but now a new system has been introduced to ensure that appraisal sessions are held, with fixed follow-up sessions. The new system is more goal-oriented and above all designed to be transparent and fair.

The Swedish Club's HR goal is to grow and develop staff. This encompasses promoting good health, motivation and commitment, and focusing on efficiency.

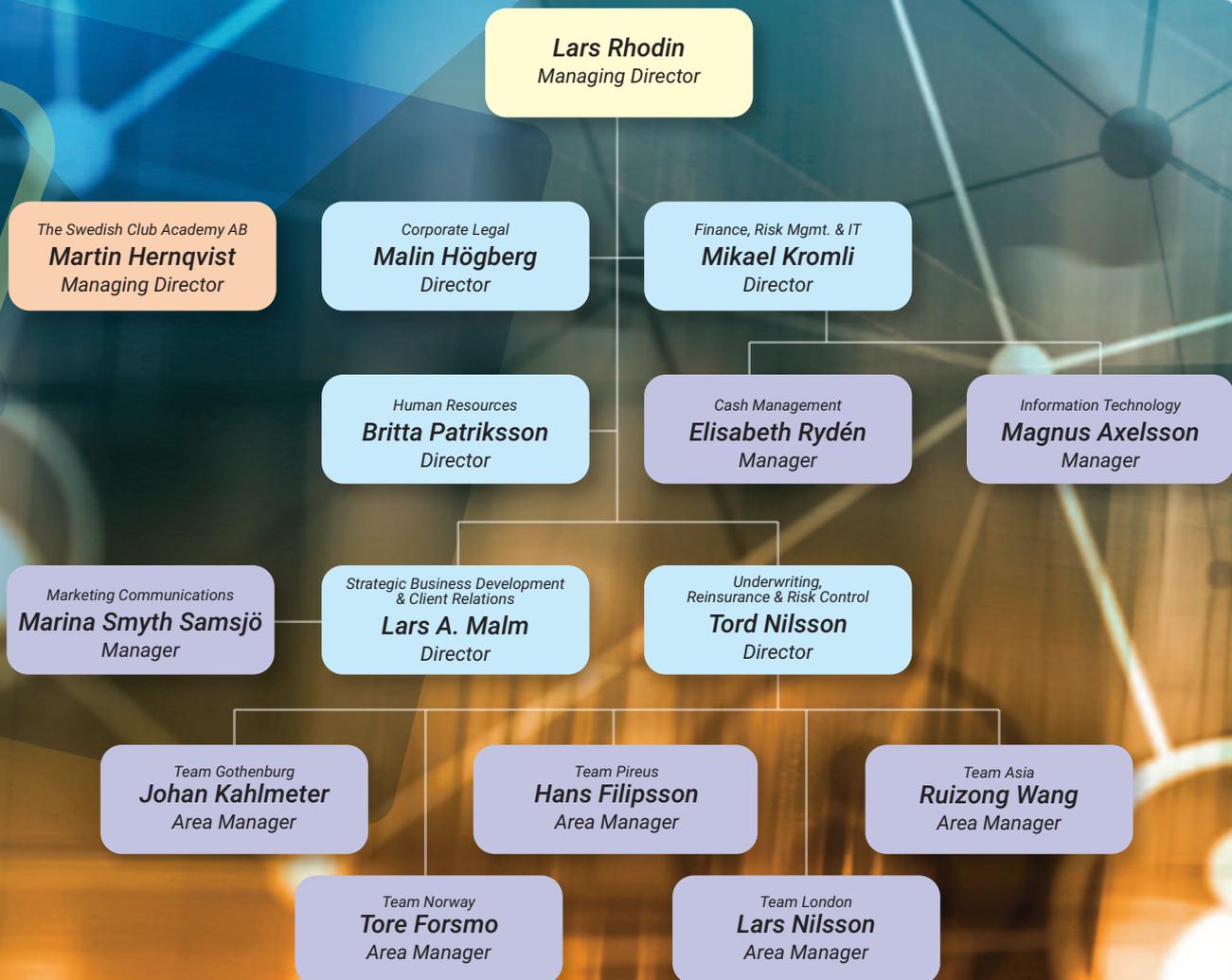
While new team members are carefully recruited to fit their roles, employees are encouraged to step out of their comfort

zones and stretch themselves – and they are supported in this by regular training. Every member of staff has a summary and training plan and HR coordinates training courses in line with the Club's values and departmental goals. Recent training has included a business acumen day for management and underwriting teams.

“The Swedish Club's HR goal is to grow and develop staff. This encompasses promoting good health, motivation and commitment, and focusing on efficiency.”



Britta Patriksson
Director, Human Resources



Trade Enabling Loss Prevention (TELP)

In 2019 The Swedish Club introduced a new generation of loss prevention to the shipping community. The Club's TELP, offered members real time personalised loss prevention, tailored to their location, and voyage profile.

The Club believes that by providing this proactive approach and advice, it can help members to trade more safely. Indeed, the TELP initiative is seen as so crucial to the Club's commitment to increase safety at sea, that the decision was made to offer TELP to all members free of charge.

Going beyond generic loss prevention, TELP uses the latest automatic identification system (AIS) technology to

track members' vessels and provide highly targeted alerts to those moving towards an area of particular risk, a 'hotspot'.

This is only possible because over the last ten years the Club has been carefully recording loss codes for each and every casualty. For every cargo claim, it knows what type of cargo was involved, where and why the incident occurred, where the

cargo was loaded and where it was discharged. For every collision or grounding, the Club knows where, how and why it happened.

This process has provided The Swedish Club with risk profiles and frequency and claims cost information for ports and sea areas around the world, based on its own statistics, and enabled it to identify claims hotspots around the world.





Characteristics of hotspots

- Pilotage issues
- Challenging jurisdictions
- Navigational challenges
- Frequent issues handling certain cargoes
- Unpredictable weather
- Frequent groundings or collisions

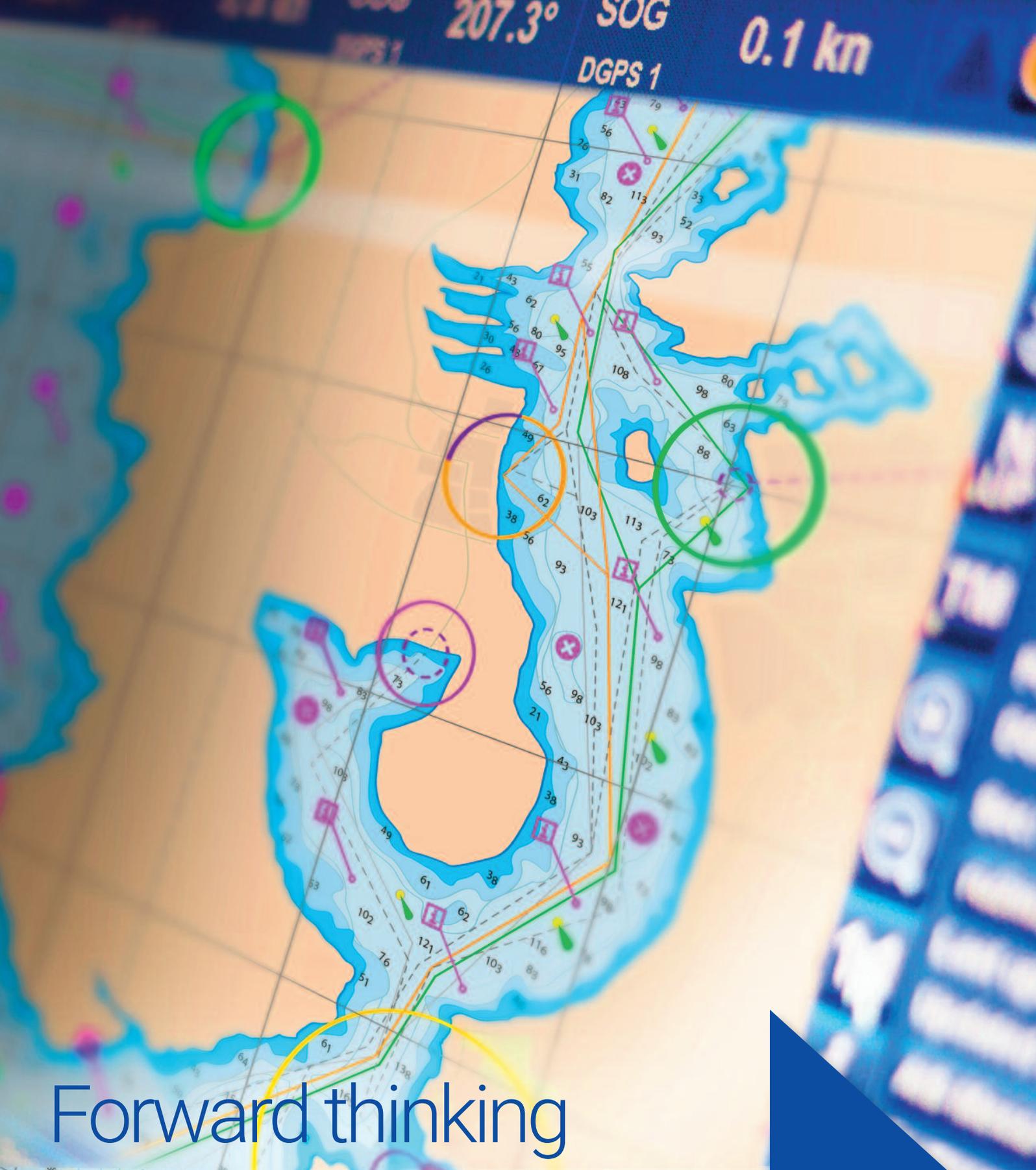
“Once again The Swedish Club is at the forefront in converging modern technology to meet the needs of the shipping fraternity.”

Neelakantan Vasudevan
Precious Shipping

Correspondent's Advice

The Swedish Club's mission is to enable its members to trade, and the Club's partners are fully committed to that ideal. The Club's correspondents constantly provide the Loss Prevention team with information and updates on local conditions. Be it local navigational challenges or the status of the terminal, TELP has enabled the Club to automatically share this essential information with its members, helping to make shipping safer.





Forward thinking

The Swedish Club is at the forefront of modern technology, using our skills and expertise to anticipate and meet the needs of the shipping community. Together with our members and business partners we are constantly developing, and creating new digital tools to help us work more efficiently.

Technology coupled with the quality of our people helps deliver our sophisticated loss prevention activities including Maritime Resource Management (MRM), Emergency Response Training (ERT) and Trade Enabling Loss Prevention (TELP), the next generation in loss prevention.

Gothenburg – Piraeus – Hong Kong – Tokyo – Oslo – London



www.swedishclub.com

“A useful and interesting tool and a worthy initiative.”

Nektarios Katikas
Ionic Shipping (Mgt) Inc.

TELP in practice

Prior to its launch, the Club recruited four members to take part in the TELP pilot programme, to provide input to help develop and refine the system.

Tailored alerts are sent to the vessel's ship manager about five days before arrival at a hotspot, with alerts from local correspondents included where appropriate. The TELP system is fully automatic; any vessel in the Club's insured fleet that has signed up for the TELP service is automatically 'caught' in the system and sent relevant messaging and loss prevention advice.

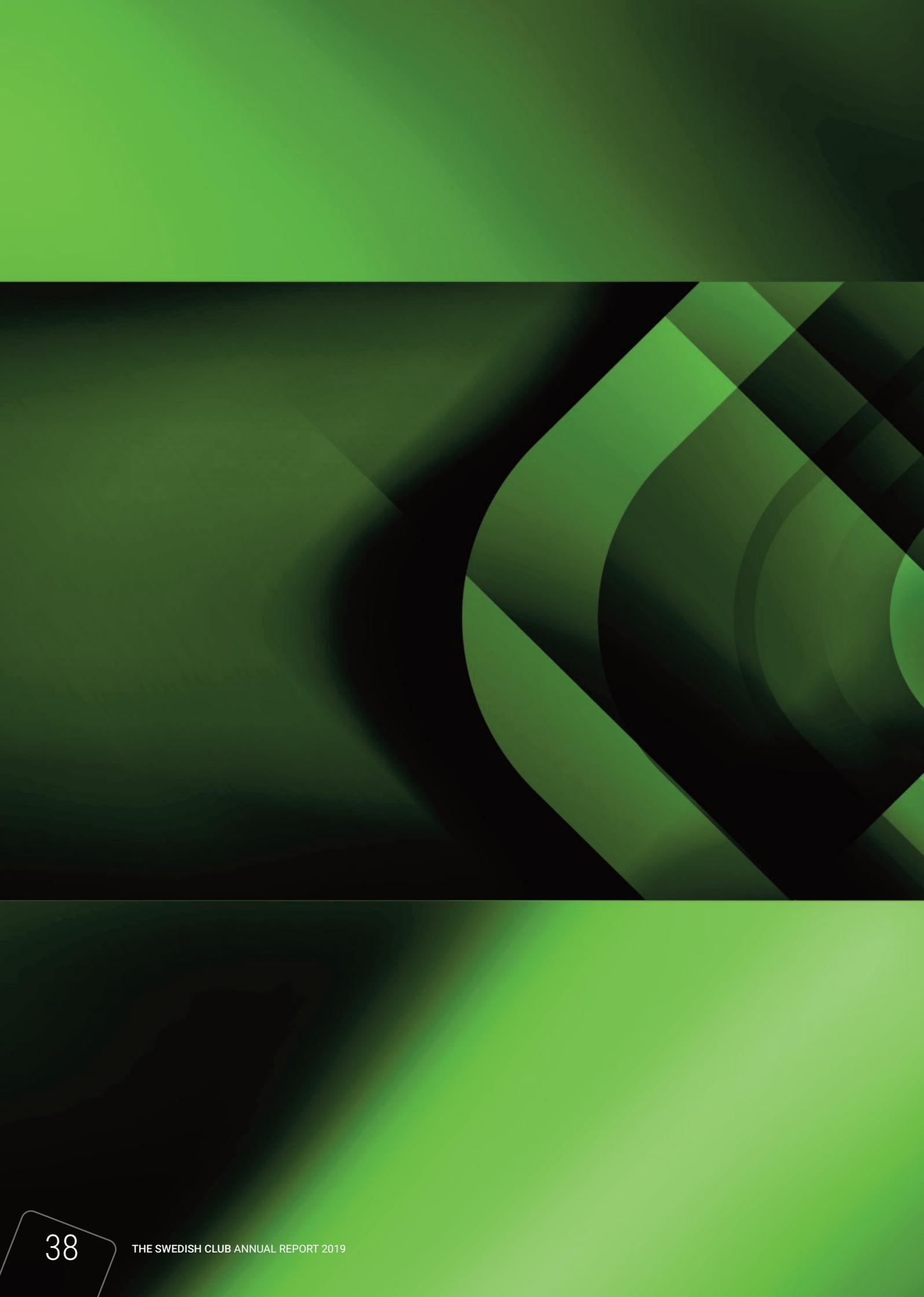
The feedback from the pilot scheme was overwhelmingly positive. Not only did it show the system to be robust and to work in practice, but it also led to a focus on the input from the Club's local correspondents, on issues such as port congestion, a stevedore strike, or even a missing buoy. The Club now automatically sends Correspondent's Advice to vessels entering areas of interest, other than just the defined hotspots.

The Club has identified 30 hotspots around the world. These are based on sound data, rather than impressions based on anecdotal evidence, or received wisdom. Indeed, in some cases, the Club has found there were two different criteria for the same hotspot – for example, navigational hazard and cargo problems. On the other hand, there were cases where there was a perception of a location being difficult, but the statistical analysis based on trading patterns showed something different.



“I was really pleased to be involved with TELP, and to be asked to share my experience of starting and coordinating a project in a similar area.”

Captain VS Parani, Oceanic Marine Management



4

Sustainability

Everyday values

The Swedish Club's sustainability report outlines the Club's commitment to the management and coordination of its environmental, social and governance responsibilities and how they are dealt with to ensure responsible, ethical and ongoing success. Overseeing and ensuring this commitment is a key function of the legal team. *Malin Högberg was appointed to the role of Director Corporate Legal on 1 January 2020.*



Every company likes to talk about corporate social responsibility (CSR), environmental, social and governance (ESG) commitments and general sustainability – but Malin Högberg is emphatic: “It isn't about talking, it isn't about a glossy brochure or a nice-looking website. It has to be about the values we actually live on an everyday basis throughout the organisation,” she says.

“It is really important to continually review how we as a club can act more sustainably and environmentally consciously in our everyday activities. It is fundamental and not an added extra. To live in an ethical, responsible society, ESG is really the foundation for equality and a prosperous life for everyone. Without it, it is difficult to have a functioning society.”



Action and not just words

During 2019, The Swedish Club spent a significant amount of time mapping what has been done in this area and identifying goals to work towards. The Club's sustainability policy is now being updated to integrate these obligations, and 2020 will be all about their implementation.

The term environmental, social and governance (ESG) may be a relatively recent concept but in fact the commitments it encompasses have been at the core of The Swedish Club business for decades.

"We have focused on loss prevention and MRM for a long time," says Högberg. "It is easy to miss out on that. Hence, we are mapping what we are already doing; it is essential to make everyone aware that what we do is of high quality, and when we adopt something, we actually do it."

"This is an important part of making our members and employees proud of the Club and what we have been doing for many years."

Human error

Straight statistics serve to prove this point, she says. More than 90% of oil and chemical spills are small – less than seven tonnes. The majority of these occur because of human error during operational procedures, where people make a mistake, don't follow guidelines, get distracted by another task or don't keep watch to prevent an overflow. In major cases of pollution, two-thirds are caused by grounding or collision and human error is the overwhelming root cause here too.

"It is exactly what we are trying to address in our loss prevention publications and initiatives," says Högberg. "MRM addresses the need for clear communication and what can go wrong when there is a failure to follow procedures. There is a constant need to create awareness about that."

As part of its ESG review, the Club has chosen four of the UN Sustainable Development Goals (SDG) on which to focus:

UNSDG Goal 3

Good Health and Well-being – as a responsible employer, The Swedish Club supports its staff in this area.



"This goal is very much connected with health and safety at work, whether that is our own offices or our members' ships. We hope our loss prevention support materials can help our members to understand what has gone wrong and the importance of following best practice. For example, consider the terrible consequences of slipping when climbing a ladder through the cargo hold. It takes three seconds to put on a safety harness and hook up, but it is easy to forget to do it, or think 'I climb on that all the time' and then possibly fall to your death.

In our offices we have regular fire drills, sitting/standing desks and health initiatives. We support local community projects. We sponsor the Swedish Sea Rescue Service and we have colleagues who are volunteers."

UNSDG Goal 12

Responsible Consumption and Production – moving towards sustainable practices within the working environment.



"This encompasses everything from recycling in our office kitchens to taking a firm stance on the scrapping of ships, in line with the EU Directive that makes it illegal to facilitate scrapping on beaches. It is about encouraging recycling and not travelling unnecessarily. In the bigger picture, there is a lot we can do in encouraging this kind of behaviour in our members. We need to be very clear about it – these are our beliefs."

UNSDG Goal 14

Life Below Water – quality members and rapid crisis response.



"When the UN talks about life below water, it is about reducing and preventing pollution of all kinds. We ourselves are focusing on this by working hard in Loss Prevention and through MRM. It is looking at the wider behaviour in shipping and at safety and technical standards. We pride ourselves that we are very selective in our membership and have a comparatively young fleet of ships entered with us.

"TELP – our Trade Enabled Loss Prevention initiative – is also vital here. One of its features is that it can highlight where there are a lot of groundings or navigational challenges, which along with human error and the smallest of mistakes can lead to pollution and a threat to life in the water."



Forward thinking

Meeting our environmental, social and governance (ESG) commitments is a way of life for The Swedish Club.

We believe they are a fundamental part of how we do business and not an added extra. The Club lives these values every day, helping us to grow our business sustainably towards the future.



UNSDG Goal 16

Peace, Justice and Strong Institutions – anti-corruption and bribery.



“This is about supporting the rule of law at national and international level and promoting just societies for all. At The Swedish Club, we have zero tolerance for bribes. We screen our membership every month and we expect high standards from our business partners and correspondents. Business needs certainty in order to operate and it is so important for us and for our members that there are clear laws, regulations and consequences and they are applied equally.

For our part, a cargo claim must be treated justly – we should pay for losses and uphold trade in the world. If you have clarity of the law and the way it is applied, you settle amicably, not in the court, so there is less strain on the system. As a mutual we must operate in a way that ensures equal treatment when assisting our members.”

regulated but will be and it is part of being transparent, she says.

“The Swedish financial authorities have identified green investment as part of CSR. So far there is no requirement, but the expectation is that you make conscious choices and know what you are investing in.”

Driven by employees

This expectation is also coming from employees, she adds – they expect employers to be aware and to support their local community, the environment, better equality and development in the world.

“I don't think people would be interested in working for a company that was perceived as being a big polluter. Society is changing rapidly and if we want to attract quality personnel, we need to be on top of this. Likewise, we must continue with our focus on quality members because these lead to quality operations. You have to live these values.”

A win-win situation

While ESG is very much at the heart of the Club, it is important to keep raising awareness of what has been done and pinpointing what more can be done, she says. “There should be constant striving for improvement, as in any area. And there are also business opportunities in focusing on those issues which should not be forgotten, such as the cost savings

of using low-energy lights, responsible consumption and other sustainable choices. You should see it as an opportunity for a win-win situation.”

Green investment

She also expects ‘green investment’ to move even higher up the agenda. Responsible investment isn't yet



Sustainability report

The Swedish Club's business model

The Swedish Club (hereinafter the Club) is an independent, self-managed, mutual insurance company, headquartered in Gothenburg, Sweden, with offices in Hong Kong, Oslo, London and Piraeus. It was founded in 1872. As of 20 February 2020, it had 119 employees.

Mutuality means that the Club is owned and controlled directly by the policyholders (hereinafter members). The interests of the Club's management and Board of Directors are therefore identical to the collective interests of the members.

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

As an insurance company, the Club is subject to stringent regulatory requirements, which prompt equally stringent regulatory compliance. Sound business decisions and stability in the business are safeguarded by robust processes for internal control and a holistic enterprise risk management system. This system is executed through a control cycle which involves the systematic identification, evaluation,

monitoring and reporting of all existing and emerging risks. The Club's assessment of its risks and how these risks are managed is regularly reported to the Swedish Financial Supervisory Authority, as well as other stakeholders, internally and externally.

The Club's core values are encapsulated in the statement 'Committed, Reliable and Proactive'. These keywords apply to everything that the Club and the Club's employees do.

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

Environmental and Social Governance

Naturally, given the nature of shipping, it is impossible to eradicate all accidents. As risk managers, insurers and investors, the Club, along with other marine insurers, plays an important role in promoting economic, social and environmental sustainability and development. The Club has a longstanding commitment to assisting its members to manage maritime risks and thereby minimising the effect on the environment as well as on society.

The Club is committed to preventing maritime accidents through proactive loss prevention initiatives and risk analysis. Through proactive loss prevention and relevant insurance solutions, the Club minimises the consequences for the environment as well as for society at large, at the same time as the Club services its members. Sustainability is therefore, and has for a long time now been, at the core of what The Swedish Club delivers.

Environmental responsibility

The environment and life below water

In its day-to-day activities, the Club makes significant efforts to safeguard environmental interests. As part of its loss prevention business, the Club regularly produces publications and holds workshops about how to avoid marine casualties, allay marine risks and mitigate the environmental impact generally through advice on e.g. fuel management and information on environmental regulations.

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

The Club's Trade Enabling Loss Prevention initiative (TELP) is at the forefront of providing shipowners with up-to-date proactive loss prevention advice to prevent and minimise losses and accidents at sea. TELP was launched in 2019 and is a free service for members aimed at increasing safety awareness in specific areas and ports worldwide, and thereby reducing claims.

The Club participates in a comprehensive risk mitigation training programme through The Swedish Club Academy. The programme was developed following the industry's realisation that the majority of marine casualties occur due to human factors, its aim being to establish safe and sound attitudes and behaviour within organisations. The training is conducted through over 70 facilities in 31 countries. The Club subsidises its members' start-up fee when first signing up to participate in the training.

Responsible consumption and production

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

Guidelines on the Club's travel policy for employees are provided in The Swedish Club's Personnel Handbook. In its daily claims handling activities, the Club is assisted through its worldwide network of correspondents, experts and lawyers. However, physical presence is necessary to maintain a close relationship with the members and to properly manage marine casualties.





Social responsibility

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

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

The Club supports the community through sponsoring The Swedish Sea Rescue Society (SSRS). The SSRS is a non-profit association founded by dedicated volunteers in 1907. More than

100 years later the dedication still runs deep among the volunteers who are always prepared to assist those in difficulties at sea. Furthermore, the Club is a proud sponsor of the magazine Faktum, a monthly magazine sold by and for the benefit of homeless people, raising awareness of the situation and helping to provide a way back into the community.

Employees

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

The Club regularly measures employee satisfaction through an engagement survey carried out by a third party. Following the 2019 survey, the KPI for the Club's employees' work satisfaction was significantly higher than the industry benchmark and a majority of other KPIs came out better than, or on par with, the benchmark.

The survey includes the areas of discrimination and bullying, where the Club has zero tolerance. The Club has a policy to combat discriminatory behaviour and its gender apportionment is 43% women and 57% men. According to the Club's written policy on equal treatment, the Club will safeguard equal possibilities of employment, education, promotion, and development in the work role regardless of gender, sexual orientation, ethnicity or religion.

The Club will strive towards an equal apportionment between men and women in the Club's different functions and organisational levels, and the Club will facilitate the possibility of combining work with family life. Annual mapping of salaries is conducted to detect undue differences in the salaries between men and women.

Human rights

Sound business behaviour and compliance with internal and external regulations is ultimately dependent on the acts of the individual employee. This includes safeguarding the values mentioned in this sustainability report.

The Club has several channels through which employees can alert management about any abuses or wrongdoing. Annual risk workshops are held within the auspices of the risk management function. These workshops aim to target operational risks which include fraud, malicious damage, employment practices, business practices, workplace safety and public safety. In addition, the Club has two web-based applications where risks, as well as incidents – ‘near misses’ - in the line organisation can be registered.

The findings are compiled and communicated to management and the Club’s Board on an annual basis. Furthermore, the Club has a whistleblower policy which enables employees to submit complaints on a confidential

basis regarding non-compliance, or any kind of illegal or unethical activity, or any other abusive or erroneous behaviour that has an adverse impact on any individual, the Club, its members, other stakeholders or the environment.

As can be seen above, the Club’s work in identifying and mitigating risks includes several tools that are used to safeguard respect for human rights in relation to both the Club’s employees and the Club’s business associates. Additionally, the P&I insurance provided by the Club contains elements to safeguard the human rights of an otherwise exposed group of people – seafarers. In case of injury or illness on board an insured vessel, the Club will ensure that the crew member receives proper medical assistance and, if necessary, is repatriated.

Notably, in response to a request put forward by the International Labour Organisation, the Club’s Board has decided to extend its P&I insurance to include financial security for repatriating seafarers (other than due to illness), as well as four months of wages, should the shipowner fail to pay this cost due to insolvency.

Combatting corruption

The Club has zero tolerance towards corruption and bribery. The Club applies the UK Bribery act as the benchmark for its employee policy which is more stringent than the equivalent Swedish legislation that otherwise would have applied (in general). As to corruption, the Club uses a market leading screening tool provided by World-Check whereby all the Club’s members and insured vessels are screened once a month. The screening includes global sanctions lists, global enforcement and warning lists, global politically exposed (PEP) lists and global state-owned entity lists (SOE).

The screening also includes corporate managers who are directly or indirectly connected to or associated with an embargoed country or entity which carries related or other risk-relevant information.

World-Check also draws on hundreds of thousands of credible media sources to monitor all the categories above. It is also used to identify and maintain a large number of profiles related to individuals convicted of one or more of the predicate offences as defined by the Financial Action Task Force (FATF). The purpose of the screening is to avoid the Club doing business with inappropriate companies or individuals.

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







5

Financial statements

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 2019, its 147th year of operation.

Principal activities and structure

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

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

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



Back row from left:

Lars Höglund, Anders Leissner (Secretary), Gustaf Grönberg, Jude Correa, Elisabeth Rydén, Lu Jian, Michael Vinnen, Peter Claesson, Rob Groot

Front row from left:

Zou Yingying, Ryan Chan, Karoline Rydelid, Anders Källsson, Lennart Simonsson, Lars Rhodin, Khalid Hashim, Twinchok Tanthuwani, Demetri Dragazis

Not present:

Thanasis C. Beis, Michael Bodouroglou, John Coustas, Gu Zhongdong, Andonis Lemos, Mikael Livijn, Weng Yi

Significant events during the year

There was healthy growth for the Club's insurance activities during the year and very attractive results from investments. The Club's financial position was consolidated further and the solvency requirements as per Solvency II were met with significant margin. During 2019, there was no single insurance case assessed as being larger than the Club's deductible in the reinsurance structure for International Group of P&I Clubs. The Club negotiated additional cost-efficient and risk-limited reinsurance protection covering 2020.

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 2019, the result before appropriations and tax was USD 24.6 (-9.6) million.

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

Free reserves	USD M	USD/SEK	SEK M
31 December 2018	203.8	8.9709	1,828.6
Profit/loss for 2019	24.6		299.8
31 December 2019	228.4	9.3171	2,128.4

Insurance activities

Gross premiums written in 2019 amounted to USD 165 (143) million. Following the deduction of outgoing reinsurance premiums totalling USD 39 (35) million, net premiums written

amounted to USD 126 (109) million. Earned premiums, net of reinsurance, amounted to USD 118 (111) million.

Part of the investment income is allocated to insurance activities. The amount which is based on the United States 1-year bond yield and net outstanding claims liabilities was to USD 5 (5) million.

Claims incurred, net of reinsurance, amounted to USD 102 (89) million. Changes in other technical provisions amounted to USD 1 (2) million. This change reflects the value development of reinsurance vehicle Hydra related to the Club. In relation to earned premiums, net of reinsurance, these items correspond to 86 (78)%.

During the year, there were 24 claims reported in excess of USD 500,000. In 2018, there were 19 such claims. For 3 (2) of the claims, the cost before reinsurers' share amounted to more than USD 2 million.

Operating expenses for insurance activities amounted to USD 24 (24) million. In relation to earned premiums, net of reinsurance, this corresponds to 21 (21)%.

The balance on the technical account amounted to SEK -3 (2) million.

The combined ratio was 106 (99)%.

Result by class of insurance

The combined ratio for P&I was 110 (89)%. Earned premiums, net of reinsurance, amounted to USD 67 (68) million. The insurance year claims cost for other clubs' pool claims was USD 14 million in 2019 and it was USD 13 million in 2018. Claims incurred, net of reinsurance, increased from USD 46 million in 2018 to USD 59 million in 2019. The loss ratio for the year was 88 (67)%.

As of 31 December 2019, the P&I portfolio, including Charterer's liability, consisted of 2,233 (2,125) vessels with

gross tonnage of 85 (82) million.

The combined ratio for FD&D was 100 (79)%. As of 31 December 2019, the FD&D portfolio consisted of 1,517 (1,306) vessels with gross tonnage of 53 (47) million. Earned premiums net of reinsurance, amounted to USD 7 (6) million. Claims incurred, net of reinsurance, increased from USD 4 million in 2018 to USD 6 million in 2019. The loss ratio for the year was 85 (66)%.

The combined ratio for Marine & Energy was 102 (122)%. Earned premiums for Marine & Energy, net of reinsurance, amounted to USD 44 (36) million. Claims incurred, net of reinsurance, was USD 36 million in 2019 and USD 37 million in 2018. The loss ratio for the year was 82 (101)%.

At the end 2019 the Marine & Energy portfolio consisted of 3,615 (2,795) vessels, with gross tonnage of 151 (111) million and covered insured value of USD 12.8 (9.5) billion. The number of vessels insured for Loss of Hire was 1,055 (973) with a gross tonnage of 35.7 (31.0) million.

Investments

The financial result, including exchange rate differences amounted to USD 32 (-6) million. The result from interest-bearing securities was USD 15 (2) million. The result for quoted shares amounted to USD 17 (-6) million and the result for other financial income and expenses amounted to USD 0 (0) million.

The result for forward exchange contracts was USD 0.3 (-) million. The valuation of investment assets into USD resulted in exchange losses of USD -1 (-1) million. Other exchange differences amounted to USD 0 (0) million.

At the end of 2019, the value of the Club's investments amounted to USD 355 (345) million, of which 79 (82)% consisted of interest-bearing securities and 21 (18)% was equity funds.

Balance sheet

For 2019, the provision for claims outstanding was USD 238 (225) million. The reporting of these provisions has been adjusted such that the assessed net exposure has been divided up into gross provision and gross recourse, when it has been possible to identify distinct counterparties as regards the expected recourse.

The value of the Club's investments amounted to USD 355 (345) million.

At year-end, Hydra receivables (see Note 2, in the section on counterparty risks) had an estimated value of USD 11 (11) million, reported in the balance sheet under the heading 'Other assets'.

Environment

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

Significant events after the balance sheet date

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

The impact on the world economy early in 2020 from the spread of COVID-19 (Coronavirus) may result in a higher risk of credit losses from unpaid premiums. Based on experience of previous financial crises, however, the Swedish Club has assessed that this risk is relatively limited.

The outbreak and spread of COVID-19 during February and March have led to historic losses in stock markets. As of 28 February 2020, the value of the Club's

investment portfolio had fallen by 1.0%, corresponding to USD 3.6 million. The impact of a one percentage point change in the Club's shareholding is approximately USD +/- 0.7 million. A drop in interest rates results in positive revaluation effects on fixed income holdings.

Employees

The Swedish Club is a knowledge-intensive organisation. The commitment, competence and performance of employees are decisive factors for the organisation's success and competitiveness. The Swedish Club intends to remain an attractive employer by having a progressive human resources policy, a healthy organisational culture and well-established core values.

The Swedish Club's core values are as follows:

Proactive

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

Reliable

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

Committed

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

The average number of employees during the year was 102 (see Note 30 for more information). A bonus program for employees was introduced in 2011. The maximum total cost of the bonus program is set at 10% of the Club's salary costs including social security expenses. No provision for bonuses was made in 2019.

See Note 30 for further information on the principles for establishing salaries and benefits for senior management.

Risks and uncertainties

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

There are four main categories of risk:

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

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

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

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

Other

The annual credit valuation of The Swedish Club, carried out by Standard & Poor's, resulted once again in a rating of A-, which was made public in February 2020. A.M. Best also confirmed its rating of A- that same month.

Prospects for 2020

Going into 2020, we expected the premium volumes for all of our insurance areas to grow due to higher insured tonnage and price recovery. We anticipated that claims incurred in 2020 would be on a par with 2019, adjusted for volume changes.

Despite the prevailing circumstances, our basic assessment remains the same. However, although emergency measures are being taken worldwide to limit the rate of spread of COVID-19, most economies around the world are slowing down sharply. This has been particularly evident in the downturns in the stock markets during January, February and early March. Many countries, with the backing of their central banks, have launched massive stimulus packages to support their economies.

The prevailing uncertainty as we continue through 2020 is enormous and none of us can predict how drawn out the consequences of this will be. Our assessment is that the Club's competitive strength will be maintained and that our strong financial position will offer comfort to our business partners, members and customers.

The COVID-19 pandemic is not expected to impact the Club's ability to grow. We would also like to report that insurance

activities, as regards reported claims, have been in line with expectations so far this year. However, direct marketing and sales activities requiring business travel or participation in major events have been cancelled based on the guidelines issued by the Swedish government and other authorities.

Distribution of profit or loss

Non-restricted equity, as per balance sheet:

Amounts in USD thousands	
Accumulated loss	-16,798
Profit/loss for the year	20,028
Translation difference capital	781
Total	4,011

The Board and the Managing Director propose that the unrestricted equity is distributed as follows:

Carried forward	4,011
------------------------	--------------

Five-year summary

Amounts in USD millions.	2019	2018	2017	2016	2015
Income statement					
Earned premiums, gross	157.4	146.1	153.3	167.3	180.4
Earned premiums, f.o.a.	118.2	111.2	117.5	130.5	142.9
Investment income, allocated from non-technical account	4.5	5.2	5.1	4.7	4.8
Claims, f.o.a.	-101.3	-86.6	-98.1	-103.0	-115.2
Refunds and P&I discounts	-	-4.4	-3.4	-	-
Net operating expenses	-24.4	-23.9	-24.8	-25.4	-25.8
Balance on technical account	-3.0	1.5	-3.7	6.8	6.8
Balance on non-technical account	27.7	-11.1	22.6	5.0	-9.9
Result before appropriations and tax	24.6	-9.6	18.8	11.8	-3.1
Financial position					
Investment assets at fair value	354.6	345.2	375.8	351.5	349.4
Technical provisions, f.o.a.	221.6	193.6	214.4	220.1	227.8
Free reserves	228.4	203.8	213.5	194.9	183.1
Free reserves / Provision for claims outstanding f.o.a.	123%	123%	116%	104%	95%
Deferred tax liability included in free reserves	51.3	45.5	51.5	45.6	43.0
Eligible Own Funds, in accordance with Solvency 2	298.0	277.7	288.2	215.6	-
Basic own funds	244.3	229.2	234.1	215.6	-
Ancillary own funds	53.7	48.4	54.1	-	-
Minimum Capital Requirement (MCR)	35.6	29.9	33.6	35.4	-
Solvency Capital Requirement (SCR)	107.4	96.8	108.2	118.5	-
Eligible Own Funds / SCR	277%	287%	266%	182%	-
Basic Own Funds / SCR	227%	237%	216%	182%	-
Key data insurance business					
Loss ratio	86%	78%	83%	79%	81%
Expense ratio	21%	21%	21%	19%	18%
Combined ratio	106%	99%	104%	98%	99%
Average Expense Ratio (AER)	13.2%	13.8%	13.4%	13.3%	13.3%
Key data asset management					
Total return	8.8%	-1.1%	6.2%	2.8%	-0.6%

Definitions are provided on page 87.

Income statement

For the financial year January through December 2019.

Amounts in USD thousands.

	Note	2019	2018
Technical account			
Earned premiums, net of reinsurance			
Premiums written, gross	3	165,277	143,265
Outward reinsurance premiums		-39,258	-34,647
Change in provision for unearned premiums		-7,916	2,823
Reinsurers' share of change in provision for unearned premiums		98	-244
		118,201	111,197
Investment income transferred from the non-technical account	4	4,500	5,200
Claims incurred, net of reinsurance			
Claims paid	5		
Before outgoing reinsurance		-103,194	-83,132
Reinsurers' share		21,492	-23,846
		-81,702	-106,978
Change in provision for claims outstanding			
Before outgoing reinsurance		-12,988	33,070
Reinsurers' share		-7,172	-14,812
		-20,160	18,258
		-101,862	-88,720
Change in other technical provisions	6	534	2,139
Refunds and P&I discounts		-	-4,428
Net operating expenses	7, 8, 30	-24,418	-23,859
Balance on technical account		-3,045	1,529
Non-technical account			
Balance on the technical account		-3,045	1,529
Financial result			
Financial income	9	4,805	1,975
Unrealised gains on investments	10	28,458	1,346
Financial costs	11	-1,113	-1,847
Unrealised losses on investments	12	-	-7,397
		32,150	-5,923
Allocated investment income transferred to the technical account	4	-4,500	-5,200
Result before appropriations and tax		24,605	-9,594
Appropriations: change in safety reserve		1,513	7,181
Result before tax		26,118	-2,413
Tax on result for the year	23	-6,090	1,297
Profit/loss for the financial year		20,028	-1,116

Balance sheet

As of 31 December. Amounts in USD thousands.	Note	2019	2018
Assets			
Intangible assets			
Intangible assets	13	10	49
		10	49
Investment assets			
Investments in group and associated companies			
Shares in group and associated companies	14	11	11
Other financial investment assets			
Quoted shares	15	72,914	62,173
Bonds and other interest-bearing securities	16	281,383	272,015
Forward exchange agreement	17	306	-
Loans to credit institutes		-	11,000
		354,614	345,199
Reinsurers' share of technical provisions			
Provision for unearned premiums	18	3,554	3,456
Provision for claims outstanding		51,626	58,798
		55,180	62,254
Receivables			
Receivables related to direct insurance operations	19	120,132	81,705
Receivables related to reinsurance operations		3,254	2,014
Other receivables		866	1,204
		124,252	84,923
Other assets			
Tangible assets	20	595	740
Cash and bank balances		28,439	22,339
Other assets	21	12,023	11,513
		41,057	34,592
Prepaid expenses and accrued income			
Prepaid acquisition costs		4,248	2,783
Other prepaid expenses and accrued income		675	672
		4,923	3,455
Total assets		580,036	530,472

As of 31 December. Amounts in USD thousands.

Note

2019

2018

Equity, provisions and liabilities**Equity**

Statutory reserve		54	56
Accumulated loss		-16,798	-15,683
Profit/loss for the financial year		20,028	-1,116
Translation difference capital		781	734

A

4,065 **-16,009****Untaxed reserves**

Safety reserve		216,833	218,345
Equalisation reserve		1,155	1,200

B

217,988 **219,545****Technical provisions before reinsurers' share**

Provision for unearned premiums	18	38,727	30,811
Provision for claims outstanding		238,041	225,053

276,768 **255,864****Provision for other risks and charges**

Pensions and similar obligations	22	354	558
Deferred tax	C 23	6,392	302

6,746 **860****Liabilities**

Liabilities related to direct insurance operations	24	12,213	9,718
Liabilities related to reinsurance operations		54,536	48,787
Other liabilities	25	6,185	10,187

72,934 **68,692****Accrued expenses and deferred income**

Accrued expenses		1,535	1,520
------------------	--	-------	-------

1,535 **1,520****Total equity, provisions and liabilities****580,036** **530,472****Free reserves (A+B+C)****228,445** **203,838**

Change in equity

Amounts in USD thousands	Statutory reserve	Accumulated profit or loss	Translation difference capital	Profit/loss for the financial year	Total equity
Balance brought forward 2018-01-01	61	-10,309	621	-5,376	-15,003
Carried forward	-	-5,376	-	5,376	-
Profit for the year	-	-	-	-1,116	-1,116
Change in translation difference capital	-5	2	113	-	110
Balance carried forward 2018-12-31	56	-15,683	734	-1,116	-16,009
Balance carried forward 2019-01-01	56	-15,683	734	-1,116	-16,009
Carried forward	-	-1,116	-	1,116	-
Profit for the year	-	-	-	20,028	20,028
Change in translation difference capital	-2	1	47	-	46
Balance carried forward 2019-12-31	54	-16,798	781	20,028	4,065

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

Cash flow statement

As of 31 December. Amounts in USD thousands.	2019	2018
Paid premiums	152,986	147,595
Paid reinsurance premiums	-58,390	-38,098
Claims paid	-103,194	-127,988
Claims paid, reinsurers' share	21,492	21,010
Cash flow from insurance operations	12,895	2,519
Other expenses	-29,903	-25,485
Paid interest	-	-
Interest received	494	507
Dividends received	240	355
Paid tax	-37	-86
Refunds and discounts	-	-4,428
Cash flow from other operations and insurance operations	-29,206	-29,137
Acquisitions of tangible assets	-	-336
Net investments in nontangible assets	-26	7
Investments in financial investment assets	-79,140	-73,521
Sale of financial investment assets	86,600	106,268
Net result financial investments	15,075	-5,981
Exchange rate difference	-98	-1,806
Cash flow from investments operations	22,411	24,631
Cash flow for the year	6,100	-1,987
Cash and bank balances		
Cash and bank balances at the beginning of the year	22,339	25,118
Cash flow for the year	6,100	-1,987
Exchange rate difference on cash and bank balances	0	-792
Cash and bank balances at year end	28,439	22,339

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 page 87 for an explanation of the classes of insurance.

For the financial year January through December 2019. Amounts in USD thousands		Total	P&I	FD&D	Marine & Energy
Technical account					
Earned premiums, net of reinsurance					
Premiums written, gross		165,277	93,052	6,792	65,433
Outward reinsurance premiums		-39,258	-25,810	-1	-13,447
Change in provision for unearned premiums		-7,916	233	9	-8,158
Reinsurers' share of change in provision for unearned premiums		98	-17	1	114
	A	118,201	67,458	6,801	43,942
Investment income transferred from the non-technical account	B	4,500	3,800	200	500
Claims incurred, net of reinsurance					
Claims paid					
Before outgoing reinsurance		-103,194	-64,854	-4,624	-33,716
Reinsurers' share		21,492	16,282	225	4,985
Change in provision for claims outstanding					
Before outgoing reinsurance		-12,988	-10,240	-1,413	-1,335
Reinsurers' share		-7,172	-1,167	-	-6,005
	C	-101,862	-59,979	-5,812	-36,071
Change in other technical provisions	C	534	534	-	-
Refunds and discounts	D	-	-	-	-
Net operating expenses					
External acquisition costs		-12,593	-6,366	-498	-5,729
Operating expenses for renewal of insurance contracts		-6,499	-4,080	-211	-2,208
Administrative expenses		-5,326	-3,993	-313	-1,020
	E	-24,418	-14,439	-1,022	-8,957
Balance on technical account	A+B+C+D+E	-3,045	-2,626	167	-586
Run-off result (according 5 Chapter 4 § 3 ÅFRL)		7,430	9,868	125	-2,563
Result outward reinsurance		-24,840	-10,712	225	-14,353
Key figures					
Loss ratio [C/A]		86%	88%	85%	82%
Expense ratio [E/A]		21%	21%	15%	20%
Combined ratio [(C+E)/A]		106%	110%	100%	102%
Three-year average combined ratio		103%	100%	79%	113%
Insurance portfolio¹⁾					
Number of insured vessels		-	2,233	1,517	3,615
Gross tonnage (millions)		-	85	53	151
Average share covered (per cent of gross tonnage)		-	100%	100%	14%
Average age (years)		-	10	10	10

¹⁾ Marine & Energy including H&M and Energy only.

Performance analysis per class of insurance

For the financial year January through
December 2019. Amounts in USD thousands

	Total	P&I	FD&D	Marine & Energy
Technical provisions				
Before reinsurers' share				
Provision for unearned premiums	38,727	12,481	891	25,355
Provision for claims outstanding	238,041	194,727	8,878	34,436
	276,768	207,208	9,769	59,791
Reinsurers' share				
Provision for unearned premiums	3,554	3,271	1	282
Provision for claims outstanding	51,626	45,053	0	6,573
	55,180	48,324	1	6,855
For own account				
Provision for unearned premiums	35,173	9,210	890	25,073
Provision for claims outstanding	186,416	149,675	8,878	27,863
	221,589	158,885	9,768	52,936

Note 1. Accounting principles

Statement of compliance with regulations applied

The annual report is based on the Law of Annual Reports in Insurance Companies (ÅRFL), except that the currency reported is USD thousands, and The Swedish Financial Supervisory Authority's (FI) rules, and regulations regarding annual reports for insurance companies (FFFS 2015:12) and the Swedish Financial Reporting Board's recommendation RFR 2. Law-limited International Financial Reporting Standards (IFRS) have been applied, which are international accounting standards that have been adopted for use with the limitations that follow from RFR 2 and FFFS 2015:12. This means that all of the EU approved IFRS and statements have been applied, to the extent possible given Swedish law and with consideration given to the relationship between accounting and taxation.

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

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

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

Assumptions when preparing the insurance company's financial statements

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

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

Swedish regulatory reporting, in accordance with law-limited IFRS. All amounts, unless stated otherwise, have been rounded off to the nearest thousand.

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

Assessments and estimates made when preparing the financial statements

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

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

Important estimates and assessments regarding technical provisions are based on assumptions about future claims payments, which means that the estimates are always associated with uncertainty. Estimates are based on the Club's own historical statistics on prior claims losses available on the reporting date. The following are examples of items considered when estimating technical

provisions: unpaid claims, claims development, changes in legislation, judicial decisions and general economic development. See also Note 2 (Risk management and risk analysis).

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

Principles applied

New and revised standards applied by the Club

IFRS 16 Leases replaced the previous standards on leases as of 1 January 2019. The Club reports leasing in accordance with RFR 2 Accounting for Legal Entities, which means that is granted an exemption from the principles contained in IFRS 16. As such, there will be no change in how the Club reports leases.

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

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

IFRS 17 is scheduled to enter into force on 1 January 2021 (that date, however, will likely be extended to 2022). It has not yet, however, been adopted by the EU. Early adoption is allowed for companies that simultaneously apply IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The insurance group has started evaluating the effect of IFRS 17, but it is not yet clear exactly how it will impact the Club.

The FI is currently investigating how IFRS 17 will need to be implemented in Swedish legal entities and in the consolidated financial statements for unlisted Swedish insurance groups. At present, there is uncertainty about the

extent to which IFRS will be implemented into Swedish legislation. FI is considering adopting a two-year implementation period of the regulations for legal entities and unlisted Swedish insurance groups. According to prior suggestions for the timeframe, it means that the regulations shall be applied no later than for financial years beginning on 1 January 2021. FI will publish a preliminary timeframe for regulation work associated with IFRS 17 after IASB has published the revised standard. The IASB publication is expected to occur during summer 2020. Insurance companies that apply the transition rules must apply IFRS 4 during the transition period.

The Club has started evaluating how implementation of IFRS 17 would impact its financial statements, processes and systems.

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

Deferred tax is measured according to the balance sheet method. The starting point is thus temporary differences between the carrying amount of an asset or liability and its tax base. The valuation of deferred tax is based on the extent to which the underlying assets and liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates and tax rules that have been

decided or effectively adopted as of the reporting date. Untaxed reserves are reported including deferred tax liability.

Premiums written, gross f.o.a.

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

Premiums earned f.o.a.

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

Investment income transferred from the non-technical account

Investment income is reported in the non-technical result. The Club uses a model for the calculation of investment income transferred from the financial business to the technical account which uses the interest rate for the expected United States 1-year bond yield in relation to provisions for claims outstanding f.o.a. The model compensates the insurance business with interest for the float generated during the period between premium payment and claim payment.

Net claims incurred

The total net claims incurred for the accounting period include claims paid during the period and changes in the provision for claims outstanding. Besides claims, net claims incurred also include claims handling costs. The provision for

claims outstanding is calculated using expected nominal cash flows.

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

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

Net operating expenses

The proportion of the total operating expenses related to claims handling is reported under the heading 'Net claims incurred'. A portion of net operating expenses is also related to investment administration and this portion is reported as 'Internal asset management costs'. These costs include both direct costs and indirect allocated costs. Operating expenses in the insurance business include, besides administrative costs, acquisition costs. Internal acquisition costs and internal investment administration costs are allocated in accordance with a model (see Note 7 and Note 11).

Investment income - realised and unrealised profit on investments

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

Financial instruments

Financial instruments reported in the balance sheet as assets:

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

- Forward exchange agreements

Items reported as liabilities or equity include:

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

Reporting of financial assets and removal from the balance sheet

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

Offset of financial instruments

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

Classification and measurement of financial assets

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

Financial instruments are initially reported at cost, which is equal to the instrument's fair value plus transaction costs. This

applies to all financial instruments, except those that belong to the category, 'Financial assets measured at fair value through profit or loss'. Those are reported at fair value excluding transaction costs.

Applied principles

- Financial assets measured at fair value through profit or loss

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

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

- Financial assets measured at amortised cost

These are balance sheet assets reported in the categories 'other receivables' and 'cash and bank balances'. Both are measured at amortised cost. Amortised cost is determined based on the effective rate of interest calculated at the time of the acquisition. Bank deposits have repayment cover. As such, anticipated credit losses are insignificant due to the fact that the investments are secured by the Swedish State.

Applied principles prior to 1 January 2019

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

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

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

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

This subgroup consists of the Club's loan receivables. The Club has chosen to apply the fair value option on assets, since key personnel in The Club evaluate all investment assets on the basis of fair value in accordance with documented risk and investment strategies.

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

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

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

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.

Classification of financial liabilities

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

Determination of fair value

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

Intangible assets

Intangible assets are capitalised expenses for the development of computer systems. They are valued at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on a straight-line basis over a

useful life of five years starting from the time when the system is put into operation.

Property, plant and equipment

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

Subsidiaries and associated companies

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

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

Cash and bank balances

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

Prepaid acquisition costs

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

Provision for unearned premiums

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

Provision for claims outstanding

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

Pensions costs and pensions commitments

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

Retirement through insurance

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

Retirement through own management

Besides the collective pension agreements guaranteed through insurance agreements, the Club also has special agreements with certain employees allowing them to retire earlier than 65 years' of age and obtain further compensation in addition to the collective pensions benefits. The majority of the provision originates from the 2006 change of terms in the collective agreement for the insurance sector,

which gives employees born before 1956 the right to early retirement from the age of 62. The calculated provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation.

Leasing contracts

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

Assets and liabilities in foreign currency

Assets and liabilities 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 to USD, the difference is reported in the income statement under the heading, 'Investment income or investment costs'.

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

Currency (equals 1 USD)	2019	2018
Swedish kronor (SEK)	9.3171	8.9710
British pound (GBP)	0.7628	0.7905
Euro (EUR)	0.8930	0.8731
Hong Kong dollar (HKD)	7.7863	7.8308
Norwegian kroner (NOK)	8.8071	8.7565

Note 2. Risk management and risk analysis

Risk management

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

The Swedish Club has developed an Internal Capital Model (ICM) for quantifying its risks. The model is used as a control mechanism for the management process, the Own Risk and Solvency Assessment (ORSA) process and in conjunction with efforts to evaluate and optimize the Club's reinsurance programme. It is also used in the creation of new products.

The Club believes that having a strong Enterprise Risk Management process provides a competitive advantage. ICM is an important tool that enables calculation of the risk-adjusted returns for alternative decisions. Successful risk management lowers the likelihood of undesirable operational and financial results. As such, it is a critical component of the Club's ability to achieve its business goals.

Risk culture

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

Capital requirements

The Swedish Club applies the standard model for calculating the regulatory capital requirement and it uses an ICM for its ORSA. Reporting is based on the quantitative reporting templates that have

been adopted by the EU supervisory authority, EIOPA.

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

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

Structure of corporate governance and allocation of responsibilities

Annual General Meeting (AGM)

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

Board of Directors

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

The Board continually monitors the Club's operations, financial result and asset management. The Board maintains regular contact with all of the committees that have been set up, as well as with the senior management team and key functions. The Board must proactively request information and challenge it, as required. The work, obligations and responsibilities of the Board are described in its rules of procedure. The Board consists of 24 members, including the Managing Director and two employee representatives.

Nomination Committee

The Club's Nomination Committee is responsible for suggesting new Board members and members of the Nomination Committee, who are then considered by the AGM. The committee also proposes the level of remuneration to Board members. In total, the committee consists of three members, comprising one Board member.

Finance & Audit Committee

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

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

Managing Director

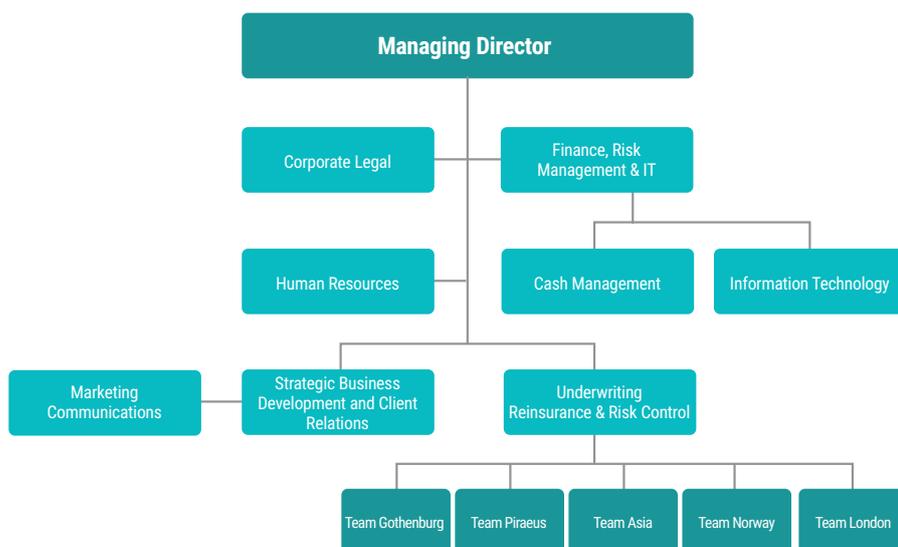
The Managing Director is appointed by the Board and is responsible for the daily management activities of the Club.

Organisation and internal control

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

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

Figure 2.1. Organisation and internal control



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

Internal control

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

Allocation of responsibilities

Figure 2.2 illustrates important information flows and allocation of responsibilities.

Operational functions

Managers of the operational functions or geographic teams are responsible for the internal controls and regulatory compliance within their area of responsibility. They must ensure that the employees in their department are well acquainted with the guidelines and instructions in the management system, as well as all rules and regulations. The managers must control and monitor compliance within their area of responsibility. They must also implement corrective measures whenever a lack of compliance has been detected. The managers of functions and teams are

also responsible for informing the risk management, actuarial, compliance and internal audit entities about any circumstances that may be relevant to the performance of their respective areas of responsibility.

Risk management function

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

modelling risks, along with developing and maintaining the Club’s ICM. The risk management function uses adequate methods and techniques for that purpose, including stochastic models, sensitivity analysis and scenario tests.

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

Actuarial function

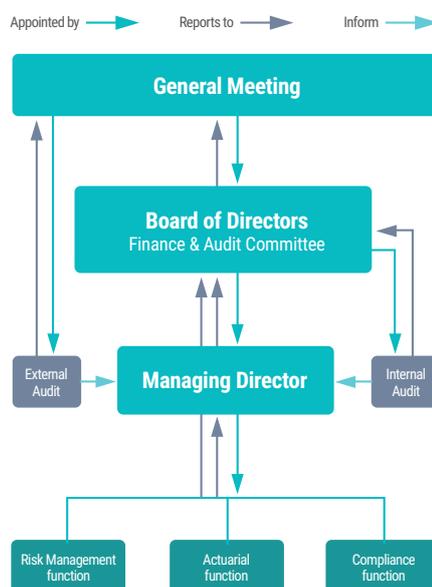
The actuarial function is responsible for coordinating the calculations of technical provisions, participating in implementation of the ORSA process and strengthening the Club’s risk management system. The function is required to state an opinion on the overall underwriting policy and suitability of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

Compliance function

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

The CCO is responsible for designing methods and routines for control of regulatory compliance, along with identifying significant risks in operations

Figure 2.2. Allocation of responsibilities



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

Internal audit function

Internal audit is an entirely independent function that has been delegated to an external party (KPMG). It is responsible for evaluating the system for internal control, other parts of the corporate governance system, independence of the actuarial function and the remuneration policy for employees. The function must report its findings to the Board or, if the Board has decided such, to the Finance & Audit Committee. The internal audit function is subordinate to the Board.

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

Risk analysis

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

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

Insurance risks

Insurance risks consist of underwriting risks, reserving risks and concentration risk. Effective management of underwriting risks is fundamental to the Club's operations. A potential member's vessels and management team are thoroughly reviewed prior to acceptance. Rating systems and premium models are used to ensure that correct premium levels have been selected. The Club's comprehensive reinsurance arrangements level out fluctuations in claims results.

This helps protect the Club from incurring losses that are associated with very large claims, including the aggregation of losses from multiple insured interests.

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

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

Concentration of insurance risk

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

Exposure	Vessels	H&M ¹⁾	P&I ²⁾	Loss of Hire ¹⁾	Hull Interest ¹⁾
Four classes	176	X	X	X	X
Three classes	31	X	X	X	
	337	X	X		X
	667	X		X	X
	0		X	X	X
Two classes	80	X	X		
	48	X			X
	1,371	X			X
	23		X	X	
	6		X		X
	18			X	X
Vessels by class of insurance		3,615	1,310	1,094	2,583
Total number of vessels			4,458		

¹⁾Incl. Energy risks ²⁾P&I Owners

The table shows the concentration of insurance classes per vessel as of 31 December 2019: 3.9% of vessels were exposed to four insurance classes, 23.2% to three classes and 34.7% to two classes.

The weighted average duration for outstanding claims is 2.8 years.

Reserving risk

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

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

Development of claims

The table below shows the development of claims, net, i.e. how the originally determined claim amount at the end of each insurance year has developed over time (from the end of each respective accounting year through to 31 December 2019).

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

Insurance year	2014	2015	2016	2017	2018	2019
Estimated final claims cost (net) at the end of:						
claim year	103,649	130,969	108,087	112,058	93,428	108,757
one year later	101,862	139,055	110,709	118,168	101,720	
two years later	97,360	133,715	114,455	114,493		
three years later	92,322	125,579	109,196			
four years later	90,077	123,837				
five years later	89,561					

Counterparty risk (reinsurance)

Reinsurance protection is essential for the successful operation of the Club. Risks can arise due to insufficient or incorrect reinsurance protection. Reinsurance 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. Each year, the department compiles a Reinsurance Risk Assessment Report, which is used to ensure that the costs for reinsurance are optimal given the anticipated risk, results, volatility and capital needs. Thorough knowledge of probabilities and expected outcomes of claims are important components in assessing the risks associated with reinsurance.

The Club has had a consistent reinsurance strategy for many years. For Marine & Energy, the Club purchases its own protection. This is based on a long-term relationship with some of the world's leading reinsurance companies. For P&I, the reinsurance is based on the cooperation within the International

Group of P&I Clubs, where claim costs between USD 10 million and USD 100 million are pooled (the Pooling Agreement). To supplement this, the Group purchases reinsurance protection up to USD 3,100 million (Excess reinsurance programme). The International Group's joint reinsurance company is Hydra Insurance Group Ltd (Bermuda). It reinsures the Group's P&I pool claims for USD 70 million in excess of USD 30 million and also part of the layer USD 750 million in excess of USD 100 million.

Parts of the pool, as well as parts of the reinsurance protection are covered by the captive company, Hydra Insurance Company Limited (Bermuda), which is owned by the Group's 13 members. Hydra is a protected cell company, which means that the assets and liabilities in each cell are legally separate from the other cells. Each of the 13 clubs owns one of the protected cells and from it, claims are paid and premiums received.

Hydra writes two reinsurance contracts for the clubs:

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

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

The Swedish Club has a reinsurance solution for the level USD 8 million in excess of USD 2 million, which covers the insurance classes, Marine and P&I. The thought behind this structure is to combine the protection for the different classes and only retain the first USD 2 million per combined claim. With this structure, the Club retains all claims in the layer USD 8 million in excess of USD 2 million during a normal claims year by means of an annual aggregated deductible of USD 25 million. The reinsurance is only settled in a claims

year when the claims in this layer exceed the annual aggregated deductible.

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

During 2019, no participating reinsurer was rated below A by Standard & Poor's.

In connection with claims handling, the Club occasionally accepts guarantees from counterparts. In general, the Club only accepts guarantees issued by other P&I Clubs, major insurance companies, banks or cash deposits. The number of guarantees is limited and the associated risks are relatively small. In December 2019, outstanding premiums older than 3 months were 1.3 (0.6) % of the 2019 gross premium.

Operational risks

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

Operational risks might arise as a result of inadequate processes, human factors or ambiguous management practices.

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

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

Financial risks

Market, credit and liquidity risks are classified as financial risks. Here, the Club's primary objective is to identify an acceptable risk level from which it can maximise long-term investment income. The investment portfolio's currency mix also plays an important role when matching the Club's assets and liabilities. The investment philosophy is based on risk diversification and investing primarily in assets with a high level of creditworthiness. In order to minimise and control risks, the Board of Directors establishes an investment policy (Investment Directive), which governs the composition, control and authority over asset management. A model has been developed in order to stress the investments and measure the total value-at-risk. It measures exposure in equities,

currencies, interest rates and maturities. According to the model, risk exposure has increased from USD 23 million at the beginning of the year to USD 27 million at the end of 2019, which is in line with the goal of keeping risk exposure within the tolerance limit, which is 30 percent of free reserves. Performance and other factors are measured and reported to the Managing Director on a monthly basis.

Market risks

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

As of 31 December 2019 the duration of fixed income securities was 2.8 (2.6) years. A change in interest rates of 1% would result in a change in the value of the bond portfolio of approximately USD 8 (8) million.

Currency exposure for the Club's most important currencies (see the table, below) was, as of 31 December 2019 USD 34 (31) million. As all decisions regarding currency positions are based on a US dollar perspective, the Club has chosen to regard free reserves as consisting entirely of US dollars. However, operating costs arise in a variety of currencies.

Currency exposure	EUR	GBP	SEK
Investment assets	25,690	-	317
Receivables	5,375	1,770	774
Other assets	1,905	563	2,555
Total assets	32,970	2,333	3,646
Equity and untaxed reserves	-	-	-
Technical provisions, net	-1,941	-3	-99
Other liabilities and provisions	-716	-326	-2,214
Total liabilities and provisions	-2,657	-329	-2,314
Net exposure	30,313	2,004	1,332

Approximately 21% of the Club's investments are shares. All exposure in shares is in well-diversified funds or in indexed-linked securities with a high rating. Decisions concerning investments and reallocations of equity investments are the responsibility of the Board of Directors through the Finance & Audit Committee.

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 281 (272) million invested in fixed income products.

Creditworthiness for classes of financial assets at the fair value¹⁾

	AAA	AA	A	BBB	Other
Bonds and other interest-bearing securities					
Foreign governments	92,790	10,406	5,914	5,393	3,935
Other foreign issuers	4,463	15,780	39,616	52,443	41,238
Total	97,253	26,186	45,530	57,836	45,173

¹⁾Rating by Standard & Poor's.

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

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

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

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

2018	Financial assets measured through profit or loss	Loans receivables measured at amortised cost	Total carrying amount	Fair value
Assets designated as belonging to this category				
Financial assets				
Shares	62,173	-	62,173	62,173
Bonds and other interest-bearing securities	272,015	-	272,015	272,015
Loans to credit institutions	11,000	-	11,000	11,000
Other receivables	-	211	211	- ¹⁾
Cash and bank balances	-	22,338	22,338	- ¹⁾
Other assets	-	651	651	- ¹⁾
Total financial assets	345,188	23,200	368,388	345,188

2018	Other financial liabilities measured at amortised cost	Total carrying amount	Fair value
Assets designated as belonging to this category			
Financial liabilities			
Other liabilities	10,006	10,006	- ¹⁾
Total financial liabilities	10,006	10,006	-

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

Calculation of fair value

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

Level 1

For financial instruments listed on an active market (investment assets) the fair value is determined on the basis of the asset's listed buying rate on the reporting

date, not including transaction costs (e.g. brokerage fees) at the time of acquisition. Any future transaction costs related to disposal are not taken into account.

Level 2

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

Level 3

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

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

2019	Level 1	Level 2	Level 3	Total
Shares	72,914	-	-	72,914
Bonds and other interest-bearing securities	264,652	16,732	-	281,383
Foreign exchange agreements	306	-	-	306
Total	337,872	16,732	-	354,603

Capital requirements

The Swedish Financial Supervisory Authority's (FI) oversight of insurance companies includes a quarterly reporting requirement on Solvency Capital Requirement (SCR) and own funds. SCR at the end of 2019 was USD 107.4 million and Eligible own funds were USD 298.0 million.

Note 3.

Premiums written, gross, by geographic area (direct insurance)	2019	2018
China	36,184	32,315
Greece	32,553	29,588
Germany	24,617	18,147
Singapore	11,940	11,978
Sweden	10,653	7,755
Norway	10,313	8,930
Hong Kong	8,693	9,355
Other countries	30,323	25,196
	165,277	143,265

Note 4.

Investment income transferred from the non-technical account	2019	2018
Allocated investment income transferred to the technical account	4,500	5,200

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 expected 1-year US Government bond rate. For 2019 the expected yield was 2.6% (the actual yield was 9.7%).

	2019	2018
Average interest rate	2.6%	3.0%

Note 5.

Claims paid	2019			2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Current year:						
Claims Paid	-32,031	903	-31,128	-33,879	2,206	-31,673
Claims Handling Costs	-9,709	-	-9,709	-10,153	-	-10,153
Previous years:						
Claims Paid	-61,454	20,589	-40,865	-39,100	-26,052	-65,153
	-103,194	21,492	-81,702	-83,132	-23,846	-106,978

Note 6.

Change in other technical provisions	2019	2018
Value change, Hydra	534	2,139
	534	2,139

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

Note 7.

Net operating expenses	2019	2018
Specification of net operating expenses reported in the income statement:		
Acquisition costs	-14,058	-10,460
Change in prepaid acquisition costs	1,465	-406
Internal operating expenses for acquisition of insurance contracts	-6,499	-6,075
	<u>-19,092</u>	<u>-16,941</u>
Administrative expenses	-5,326	-6,918
Net operating expenses	-24,418	-23,859

Allocation of other operating expenses in the income statement:

Claims handling expenses reported as claims paid	-9,709	-10,153
Finance administrative expenses reported as Financial costs, Note 11	-305	-334
	<u>-34,431</u>	<u>-34,346</u>

Total operating expenses analysed under the following categories:

Advertising and selling expenses	-940	-895
Personnel costs	-14,313	-15,215
Travel expenses	-865	-926
Cost of premises	-1,478	-1,582
Office expenses	-1,362	-1,374
External services and fees ¹⁾	-2,767	-3,040
Depreciation	-209	-199
Charged claims handling cost	3,598	3,253
Other revenue	222	171
External acquisition costs	-12,592	-10,866
Costs for The Swedish Club Hong Kong Limited	-3,725	-3,673
	<u>-34,431</u>	<u>-34,346</u>

¹⁾ Operating expenses includes remuneration to PwC

Audit assignment	-113	-98
- of which concerns PwC Sweden	-84	-76
Other statutory assignments (nothing concerns PwC Sweden)	-1	-1
Tax advice services (nothing concerns PwC Sweden)	-	-2
Other services (nothing concerns PwC Sweden)	-	-9

Note 8.

Operational leasing	Machinery & Equipment	Buildings & Premises
Fees due		
Year 2019	169	1,681
1 year	208	1,546
2 - 5 years	214	3,035
> 5 years	-	-

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

Note 9.

Financial income	2019	2018
Dividends on quoted shares	240	355
Interest income		
Bonds and other interest-bearing securities	225	326
Other interest income	269	181
	494	507
Gains on foreign exchange, net	-	-
Gains on the realisation of investments, net:		
Quoted shares	4,071	1,113
Bonds and other interest-bearing securities	-	-
	4,071	1,113
	4,805	1,975

Note 10.

Unrealised gains on investments	2019	2018
Quoted shares	13,117	-
Bonds and other interest-bearing securities	15,035	1,346
Forward exchange agreement	306	-
	28,458	1,346

Note 11.

Financial costs	2019	2018
Internal management expenses	-305	-334
External management expenses	-131	-66
Interest costs	-	-
Losses on foreign exchange, net	-677	-1,447
	-1,113	-1,847

Note 12.

Unrealised losses on investments	2019	2018
Quoted shares	-	-7,397
	-	-7,397

Note 13.

Intangible assets	2019	2018
Capitalised expenditure on computer software system		
Opening accumulated costs	4,890	5,329
Acquisitions	-	-
Revaluation of accumulated acquisition costs	-182	-439
Closing accumulated costs	4,708	4,890
Opening accumulated depreciation	-4,841	-5,235
Depreciation for the year	-36	-39
Revaluation of depreciation	179	433
Closing accumulated depreciation	-4,698	-4,841
	10	49

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

Note 14.

Shares in group and associated companies	2019	2018
Non-quoted shares in subsidiaries:		
The Swedish Club Hong Kong Limited 1 share nominal value HKD 1	0	0
Non-quoted shares in associated companies		
The Swedish Club Academy 750 shares nominal value SEK 100	11	11
	11	11

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

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

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

Information about The Swedish Club Hong Kong Limited:
CIN: 15065077-001-09-19-0
Registered office: Hong Kong
Country: China

Note 15.

Quoted shares	2019	2018
Quoted shares at fair value	72,914	62,173
	72,914	62,173

Costs of quoted shares USD 61,763 (64,138) thousands.

Quoted shares are specified in the table below:

Name	Number	Cost	Fair value
Mercer Passive Global Equity UCITS Fund	395,514	41,517	50,543
Mercer Low Volatility Equity Fund	79,770	13,055	14,702
MGI Emerging Markets Equity Fund	65,214	7,191	7,670
		61,763	72,914

Note 16.

Bonds and other interest-bearing securities

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

2018	Nominal value	Cost	Fair value	Carrying amount
Bond funds		268,639	272,015	272,015

Note 17.

Forward exchange agreements	2019	2018
Forward exchange agreement at fair value	306	-
	306	-

Note 18.

Technical provisions	2019			2018		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for claims outstanding						
Opening balance, provision for reported claims	188,521	-56,398	132,123	221,306	-69,610	151,696
Opening balance, provision for incurred not reported (IBNR)	36,532	-2,400	34,132	36,817	-4,000	32,817
Opening balance	225,053	-58,798	166,255	258,123	-73,610	184,513
Claims occurred during the current year	106,661	-7,078	99,584	89,699	-4,284	85,416
Claims paid current year	-93,485	21,492	-71,993	-72,979	-23,846	-96,825
Change in expected cost for claims occurred previous years (run-off result)	-188	-7,242	-7,431	-49,790	42,942	-6,849
Closing balance	238,041	-51,626	186,415	225,053	-58,798	166,255
Closing balance, reported claims	210,049	-50,426	159,623	188,521	-56,398	132,123
Closing balance, provision for incurred not reported (IBNR)	27,992	-1,200	26,792	36,532	-2,400	34,132
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
Provision for unearned premiums						
Opening balance	30,811	-3,456	27,355	33,634	-3,700	29,934
Insurance contracts signed during the period	38,727	-3,554	35,173	30,811	-3,456	27,355
Premiums earned during the period	-30,811	3,456	-27,355	-33,634	3,700	-29,934
Closing balance	38,727	-3,554	35,173	30,811	-3,456	27,355

The provision is treated as USD. No exchange differences therefore arise. Provision for claims handling included in provision for claims outstanding amounts to USD 8,107 (8,107) thousands. The provision for incurred and reported claims is reported including incoming reinsurance amounting to USD 416 (521) thousands.

Note 19.

Receivables related to direct insurance operations	2019	2018
Policyholders (members)	43,751	33,954
Insurance brokers	19	31
Insurance companies	3,981	1,953
Other	72,381	45,766
	120,132	81,704

Note 20.

Tangible assets	2019	2018
Machinery and equipment		
Opening accumulated cost	3,036	2,896
Acquisitions	55	383
Sales and disposals	-	-
Revaluation of accumulated purchase prices	-111	-243
Closing accumulated cost	2,980	3,036
Opening accumulated depreciation	-2,296	-2,332
Reversed depreciation on tangible assets sold	-	-
Depreciation for the year	-173	-160
Revaluation of depreciation	84	196
Closing accumulated depreciation	-2,385	-2,296
	595	740

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

Note 21.

Other assets	2019	2018
Receivables, Hydra	11,396	10,862
Other assets	627	651
	12,023	11,513

Note 22.

Pensions and similar obligations	2019	2018
Provision pensions	299	330
Provisions for deferred non-vested pension	55	228
	354	558

The pension obligations comprise pension plans that are regulated through collective agreements and national insurance laws. The obligations consist of both defined contribution and defined benefit plans. For defined contribution plans, pension costs consist of the premium paid for securing the pension obligations in life insurance companies. The total premium paid during the year amounted to USD 1,859 thousands.

The Club's pension plans for collective pension agreements are guaranteed through insurance agreements. The pension plan for the Club's employees has been assessed as a defined benefit plan covering multiple employers. However, the Club has determined UFR10 Accounting for pension plans in ITP 2, which is financed through insurance with Alecta, is also applicable to the Club. The Club lacks sufficient information for reporting in accordance with IAS 19. Therefore, in accordance with UFR 10, it reports these pension plans as defined contribution plans. The Club's obligations concerning contributions to defined contribution plans have been reported as a cost in the income statement at the rate they are earned by employees performing services during the period. Premiums paid to SPP Liv and SKANDIKON amounted to USD 1,038 thousands.

As per the collective agreement, employees born before 1956 are entitled to retire at the age of 62. The provision is based on anticipated future pension payments and it includes assumptions regarding mortality, employee turnover, salary growth and price inflation. Pension provisions include the capital value of pension obligations for prior senior executives, which amounts to USD 213 (235) thousand. Pension payments for the year amounted to USD 152 thousands.

Note 23.

Taxes	2019	2018
Tax on result for the year		
Deferred tax ¹⁾	-6,090	1,340
Other taxes	-	-43
Closing accumulated cost	-6,090	1,297

¹⁾Tax rate 21.4%. Current year's deferred tax is assignable to unrealised value changes in investment assets.

Change in provision for deferred tax

Opening balance	302	1,642
Change recognised in income statement	6,090	-1,340
Closing balance	6,392	302

Change in provision for deferred tax reported in untaxed reserves

Opening balance	43,295	44,797
Change reported in untaxed reserves	-321	-1,501
Closing balance	42,974	43,295

Note 24.

Liabilities related to direct insurance operations	2019	2018
Policyholders (members)	4,838	4,192
Insurance brokers	5,558	3,466
Insurance companies	1,817	2,060
	12,213	9,718

Note 25.

Other liabilities	2019	2018
Trade creditors	307	1,245
Other creditors	5,878	8,942
	6,185	10,187

Note 26.

Expected settlement of assets and liabilities

Approximately 60% of the provision for claims outstanding is expected to be paid more than 12 months in the future. For other balance sheet items that are expected to be settled more than 12 months in the future, 50% of the receivables and liabilities are associated with other insurance companies. There is little risk in the short term of the Club becoming short of cash funds since most of the investment portfolio can be converted to cash within a few days. For more information on liquidity risk, please see Note 2 and the cash flow statement.

Note 27.

Memorandum items	2019	2018
<p>The listed assets below, are held in the priority register for coverage of technical provisions. In case of insolvency the members have a priority right to the registered assets. The company has the right that in going concern add or delete assets in the priority register as long as the requirements are met in accordance with Swedish Insurance Act.</p>		
Government/municipal bonds, etc.	112,035	126,971
Bonds other	152,617	127,520
Quoted shares	72,914	62,173
Investment fund	16,732	17,525
Cash and bank balances	24,012	25,209
Receivables related to direct insurance operations	25,299	18,839
	403,609	378,237
Technical provisions, net	221,588	193,610
Surplus of registered assets	182,021	184,627
	403,609	378,237

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 0.6 (0.6) million.

Note 28.

Related party transactions

With the exception of what is required by insurance contracts, there are no related party transactions with Board members. Neither are there any related party transactions with senior executives of the Club. During the year, the Club reimbursed the equivalent of USD 3.7 million to its subsidiary in Hong Kong. This was for operating costs in 2019. In addition, a receivable is reported in the balance sheet for USD 0.2 million.

Note 29.

Significant events after the balance sheet date

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

The impact on the world economy early in 2020 from the spread of COVID-19 (Coronavirus) may result in a higher risk of credit losses from unpaid premiums. Based on experience of previous financial crises, however, the Swedish Club has assessed that this risk is relatively limited.

The outbreak and spread of COVID-19 during February and March have led to historic losses in stock markets. As of 28 February 2020, the value of the Club's investment portfolio had fallen by 1.0%, corresponding to USD 3.6 million. The impact of a one percentage point change in the Club's shareholding is approximately USD +/- 0.7 million. A drop in interest rates results in positive revaluation effects on fixed income holdings.

Note 30.

Personnel	2019	2018
Average number of employees:		
Sweden	76	78
Greece	18	17
Norway	6	5
Hong Kong ¹⁾	1	1
United Kingdom	1	1
	102	102
Of which women	48%	46%
Women in Management Team	17%	17%
Salaries and payments:		
Board and senior management	1,342	1,465
whereof bonus payments	-	-
Other employees	7,328	7,513
Payroll overhead:		
Other employees	4,744	5,153
whereof pensions costs to Board and senior management	544	588
whereof pension costs to other employees	1,301	1,517

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

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

¹⁾ The average number of employees in The Swedish Club Hong Kong office Limited is 17 (15).

Note 31.

Proposed appropriation of earnings

The following earnings are at the disposal of the AGM:

Accumulated loss	-16,798
Profit for the year	20,028
Translation difference capital	781
Total	4,011

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

Carried forward	4,011
-----------------	-------

Gothenburg 2020

L. Simonsson, <i>Chairman of the Board</i>	A. Beis	M. Bodouoglou
R. Chan	P. Claesson	J. Correa
J. Coustas, <i>Deputy Chairman</i>	D. Dragazis	R. Groot
G. Grönberg	Z. Gu	K. Hashim, <i>Deputy Chairman</i>
L. Höglund	A. Källsson	A. Lemos
M. Livijn	J. Lu	T. Tanthuwani
Y. Weng	M. Vinnen	Y. Zou
L. Rhodin, <i>Managing Director</i>	K. Rydelid, <i>Employee Representative</i>	E. Rydén, <i>Employee Representative</i>

Our auditor's report was submitted by

Öhrlings PricewaterhouseCoopers AB

Morgan Sandström

Authorised Public Accountant

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of The Swedish Club are prepared, in all material respects, in accordance with the accounting policies described in the note 1 of these financial statements.

What we have audited

The Swedish Club's financial statements comprise:

- The Income statement for the year ended 31 December 2019;
- the Balance Sheet as at 31 December 2019;
- the statement of Changes in equity for the year then ended;
- the statement of Cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Key audit matters

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

Basis for opinion

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

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

Independence

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of provisions for claims outstanding</p> <p>Provisions for claims outstanding constitute a significant balance sheet item based on calculations and estimates of future outcomes of the cost of claims. Factors taken into account in the assessment include time of settlement and patterns of claims.</p> <p>The company uses established actuarial methods for calculating provisions for claims outstanding. The company's provisions consist of a number of different products where the characteristics of the products affect the calculation models.</p> <p>For further description, see the Annual Report note 1, 2 and 18.</p>	<p>Our audit has included, but not exclusively, consisted of:</p> <ul style="list-style-type: none"> • Assessment of design and testing of the effectiveness of controls in the processes for calculating the provision for claims outstanding. • Our audit has also included assessments of used actuarial methods and models. We have also challenged and assessed the management's assumptions. • In addition, we have conducted our own calculations to ensure that the provision for claims outstanding are reasonable. PwC's own actuaries assisted the audit.

Other information

The directors of the Company are responsible for the other information. The other information comprise the information included in the Annual Report 2019 except for the financial statements from page 50 to 82.

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

Other matter

The Company has prepared a separate set of financial statements in SEK for the year ended 31 December 2019 in accordance with the regulations regarding annual reports for insurance companies (FFFS 2015:12), on which we will issue a separate auditor's report for the Sveriges Ångfartygs Assurans Förening. The financial statements have been translated from Swedish to English and from SEK into USD in accordance with the principles laid out in the note 1 of these financial statements.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Stockholm 2020

Öhrlings PricewaterhouseCoopers AB

Morgan Sandström

Authorised Public Accountant

P&I income statement

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

For the year ended 20th February.

Amounts in USD thousands.

		2019/20	2018/19	2017/18
Calls and premiums		94,122	94,913	98,780
Reinsurance premiums		-26,046	-27,300	-27,390
Earned premiums net of reinsurance	A	68,076	67,613	71,390
Claims paid		-61,625	-22,405	-68,648
Change in provision claims		-7,363	-3,005	23,645
Reinsurance recoveries		18,169	-26,950	15,983
Change in provision claims		-3,054	11,930	-25,255
Claims handling costs		-6,106	-6,622	-6,287
Claims cost	B	-59,979	-47,052	-60,562
Administrative expenses	C	-13,502	-14,870	-15,303
Underwriting result	A+B+C	-5,406	5,691	-4,475
Investment result		16,358	4,528	22,180
Result of operation		10,952	10,219	17,705
Refund and discounts		-	-4,428	-3,418
Result after discount		10,952	5,791	14,287
Combined ratio (C+B)/A		108%	92%	106%
Loss ratio B/A		88%	70%	85%
Expense ratio C/A		20%	22%	21%
Combined ratio 3 year average		102%	98%	97%

Definitions & Glossary

AER, Average expense ratio:

all members of the International Group of P&I Clubs are subject to the EU Commission requirement to report the AER for P&I business. This is a measure of cost-effectiveness. AER is measured in US dollars and calculated for the latest five-year period by relating operating costs, excluding claim handling costs, connected with P&I activity to premiums plus investment income concerning P&I activity.

Ancillary own funds:

capital in addition to those included in basic own funds and which require regulatory approval. The maximum amount of ancillary own funds that may be included in the eligible own funds is 50% of the SCR.

Basic own funds:

the core of eligible own funds according to Solvency II. Calculated as the difference between assets and liabilities, including technical provisions measured at fair value.

Claims frequency:

the observed relationship during a specific period between the number of claims arising within a certain category of insurance and the number of insurance policies within the same category. Does not include major claims.

Combined ratio:

claims for own account and net operating expenses in the insurance business, as a percentage of earned premium f.o.a.

CTL, Constructive Total Loss:

is when the vessel is beyond any reasonable cost for repairs. The damage or damages to the ship will cost more to repair than the insured value.

Direct yield:

direct yield on investments (dividends received and interest income) as a percentage of the average fair value of investments and cash/bank balances.

Eligible own funds:

may consist of basic own funds and ancillary own funds, classified in three tiers according to the Solvency II Directive.

Energy:

insurance that is comprised of Hull & Machinery, Increased Value, Hull Interest, War, Loss of Hire for Mobile Offshore Units and FPSO. For more information see: Insurance Products at www.swedishclub.com.

Expense ratio:

net operating expenses in the insurance business, as a percentage of earned premium f.o.a.

FD&D, Freight, Demurrage & Defence (legal protection):

a main class of insurance that convey advice and cover the legal costs incurred in pursuing or defending claims covered by this class of insurance pursuant to its terms and conditions. There is no cover under FD&D, however, for the claim itself.

For own account, f.o.a.:

net of reinsurance.

Free reserves:

equity less deferred tax assets plus untaxed reserves and deferred tax liability.

H&M, Hull & Machinery:

a cover that protects the insured against damage to, or loss of, his vessel or machinery.

IBNR, Incurred but not reported:

a term used to describe an estimate of claims which may have occurred, but of which the Club is not yet aware, or is only partially aware and for which provisions must be made when calculating the Club's liabilities.

International Group of P&I Clubs:

this organisation arranges collective insurance and reinsurance for P&I clubs and represents the views of the P&I community.

Loss ratio:

claims incurred, net of reinsurance, as a percentage of earned premiums f.o.a.

Marine & Energy (vessels):

a main class of insurance which includes Hull & Machinery (H&M), Hull Interest, War, Loss of Hire and Energy. For more information: see Insurance at www.swedishclub.com

MCR, Minimum Capital Requirement:

insurers subject to Solvency II must at all times have eligible basic own funds of at least the level of the MCR. The authorisation of an insurer is withdrawn when the undertaking's amount of eligible basic own funds falls below the MCR and the undertaking is unable to re-establish the amount of eligible basic own funds at the level of the MCR within a short period of time.

MRM, Maritime Resource Management:

is a training course intended for seagoing staff, pilots and shore-based personnel. The overall objective is to minimise casualties and losses caused by human and organisational errors. The Swedish Club Academy AB is the owner of the MRM course and has licensed a large number of training providers world-wide for delivery of training. For more information see: www.swedishclub.com/academy.

Overspill:

claims exceeding the International Group of P&I Clubs' reinsurance are pooled amongst the members up to the overall limit set by the P&I Rules. The estimate is currently USD 3.5 billion in excess of reinsurance.

Own funds:

equity and untaxed reserves, minus intangible assets in the balance sheet.

P&I, Protection & Indemnity (ship liability):

a main class of insurance that indemnifies or covers the insured in respect of the discharge of legal liabilities incurred during the operation or employment of the vessel.

Pool:

the P&I clubs in the International Group share claims made in excess of the retention of USD 10 million. In the excess of the pool limit, the Group has jointly purchased Excess of Loss reinsurance.

Regulatory capital base divided by solvency margin:

own funds in relation to the regulatory solvency margin (through 2015).

Regulatory solvency margin:

calculated in accordance with the regulations of the Swedish Financial Supervisory Authority and the Swedish Insurance Business Act (through 2015).

Retention:

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

SCR, Solvency Capital Requirement:

a risk measure calculated in accordance with the Solvency II Directive. The SCR is the capital required to ensure that insurance companies will be able to absorb significant unforeseen losses over the next 12 months.

Total return:

direct yield on investments (dividends received and interest income), unrealised profits and losses and capital gains or losses from the sale of investment assets, in relation to the average fair value of the investments and cash/bank.

Underwriting:

includes the risk assessment and pricing that occurs when insurance contracts are drawn up. In accounting contexts, the term is also used more broadly to designate the operations of an insurance company that do not have the character of asset management.



Contacts

Head Office Gothenburg

Visiting address: Gullbergs Strandgata 6,
411 04 Gothenburg
Postal address: P.O. Box 171,
SE-401 22 Gothenburg, Sweden
Tel: +46 31 638 400, Fax: +46 31 156 711
E-mail: swedish.club@swedishclub.com
Emergency: +46 31 151 328

Piraeus

5th Floor, 87 Akti Miaouli, 185 38 Piraeus, Greece
Tel: +30 211 120 8400, Fax: +30 210 452 5957
E-mail: mail.piraeus@swedishclub.com
Emergency: +30 6944 530 856

Hong Kong

Suite 6306, Central Plaza, 18 Harbour Road,
Wanchai, Hong Kong
Tel: +852 2598 6238, Fax: +852 2845 9203
E-mail: mail.hongkong@swedishclub.com
Emergency: +852 2598 6464

Tokyo

2-14, 3 Chome, Oshima, Kawasaki-Ku Kawasaki,
Kanagawa 210-0834, Japan
Tel: +81 44 222 0082, Fax: +81 44 222 0145
E-mail: mail.tokyo@swedishclub.com
Emergency: +81 44 222 0082

Oslo

Dyna Brygge 9, Tjuvholmen N-0252 Oslo, Norway
Tel: +46 31 638 400
E-mail: mail.oslo@swedishclub.com
Emergency: +46 31 151 328

London

New London House, 6 London Street
London, EC3R 7LP, United Kingdom
Tel: +44 7470 004 601
E-mail: swedish.club@swedishclub.com
Emergency: +46 31 151 328