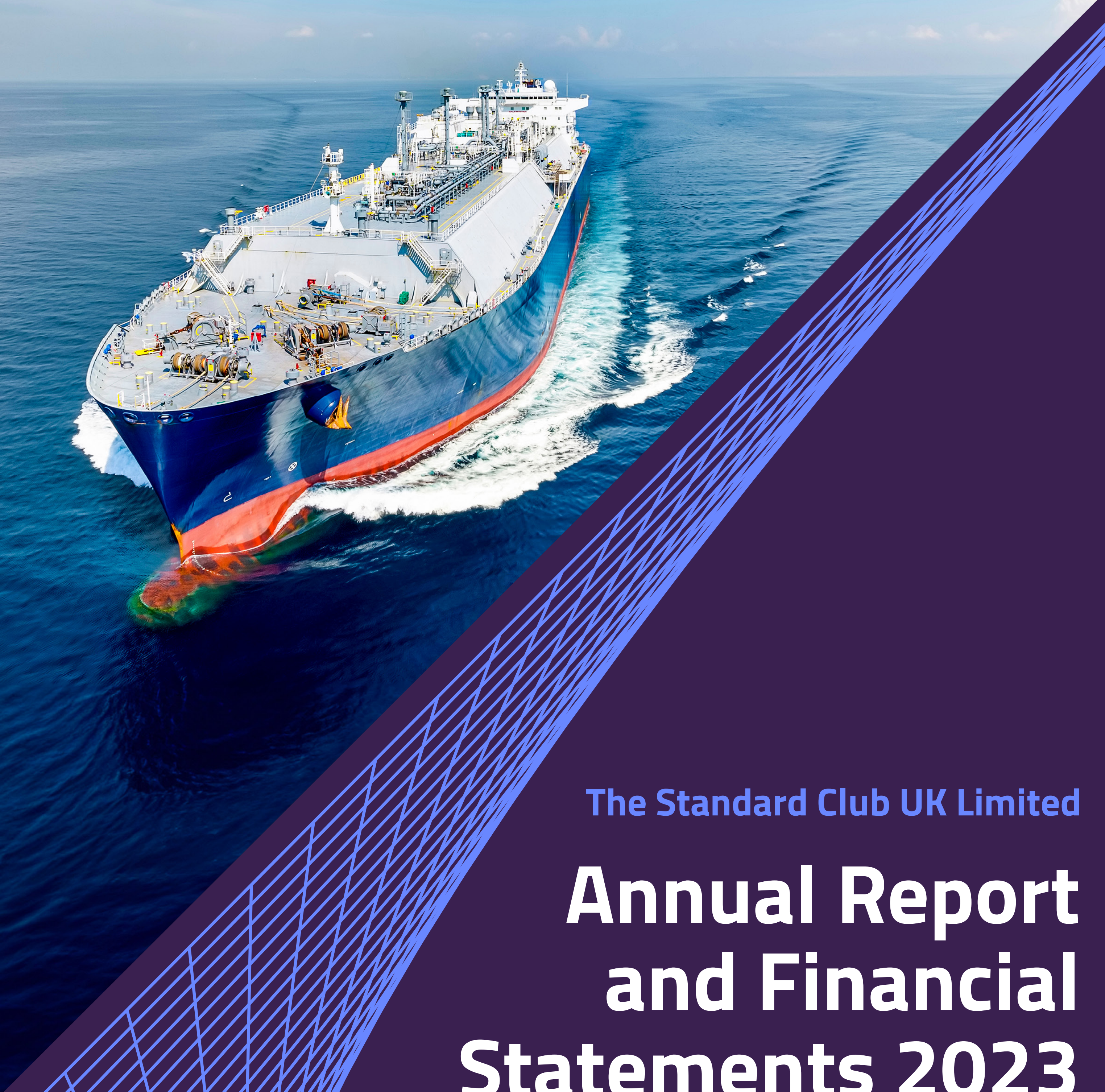

The Standard Club UK Limited

Annual Report and Financial Statements 2023

Standard Club
Part of NorthStandard

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THE DIRECTORS

Directors who served since the date of the last report and financial statements:

Chairman
A Groom [1]
Insurance expert director
Non-executive director

A Cossar [1]
Insurance expert director
Non-executive director

J Grose
Executive director

K Howarth [1]
P&O Ferries
Non-executive director

E Johnsen [1]
Seaocean Carriers Pte. Ltd
Non-executive director

R Menendez Ross [1]
Interocean Transportation Inc
Non-executive director

1. Member of Audit and Risk Committee.

Registered no: 17864

STRATEGIC REPORT

The directors have pleasure in presenting their Strategic Report and the audited financial statements of Standard UK for the financial year ended 20 February 2023.

Principal activities

The Standard Club UK Ltd ("Standard UK" or "the Club") is a marine mutual insurance company, providing marine protection and indemnity (P&I) insurance and related covers to its shipowner members. Standard UK is a subsidiary of The Standard Club Limited ("Standard Club") and part of the Standard Club group.

At renewal on the 20 February 2023 Standard Club became wholly owned by NorthStandard Limited, a UK insurer which is now Standard UK's ultimate parent and the ultimate controlling party of the group.

Summary financial results

As set out in the Statement of Income and Retained earnings, there is a deficit for the financial year of $4.4m (2022: deficit $4.0m).

Revenue from calls, premiums and releases grew to $131.2m (2022: $104.2m) following rate rises achieved at the February 2022 renewal and an increase in tonnage insured. With a reduction in the number and value of the Clubs own claims, and its share of the International Group Pool, Standard UK made an underwriting surplus during the financial year of $1.4m (2022: $1.1m deficit)

Following a rise in interest rates, and volatile equity markets, the investment return (including exchange gains and losses) recorded a $5.5m deficit (2022: $3.0m deficit). The losses on the investment portfolio have largely arisen due to increased interest rates and are expected to reverse as the portfolio matures.

Statement of financial position

Total estimated claims liabilities at the year end, including the provision for claims incurred but not reported ('IBNR'), net of reinsurance recoveries, amounted to $33.0m (2022: $33.3m). The amount of net assets available to meet these liabilities was $86.2m at 20 February 2023 (2022: $90.9m).

Retained earnings

These represent the surpluses built up out of open and closed policy years and represent the core capital of Standard UK. Standard UK's retained earnings decreased to $53.2m at the year-end (2022: $57.6m), reflecting the deficit on the Statement of Income and Retained Earnings for the year of $4.4m (2022: $4.0m).

This year, the board reviewed the strategic purposes and appropriate level for the retained earnings. The level of retained earnings or capital to be held should be sufficient to meet the following criteria:

- To ensure that Standard UK has sufficient capital to reflect its business risks and to comply with regulatory requirements.
- To provide sufficient buffer to make the probability of supplementary calls very low, and unnecessary in any phase of a normal underwriting cycle, so that they are levied only in extreme stressed scenarios.
- To ensure that Standard UK is perceived as being in the top division of The International Group of P&I Clubs from a financial perspective, to give Standard UK flexibility and the power to maintain pricing and quality discipline.
- To maintain an S&P rating of A or above.

The board recognises the need to ensure the retained earnings reflect Standard UK's size. The reserves are within the target strategic range set by the board. This is set by reference to solvency tests, and the board will ensure that the retained earnings continue to be aligned with the volume of, and risks in, Standard UK's business.

The board keeps the need to make supplementary calls under review when considering the overall financial resources available to Standard UK and has decided that no supplementary call is currently needed for any of the open policy years, nor is any expected.

Standard UK has a healthy solvency position, with the 20 February 2023 unaudited own funds on a Solvency II basis covering 175% of the Solvency Capital Requirement ("SCR") and 519% of the Minimum Capital Requirement ("MCR"). Further information on the capital requirements under Solvency II is provided in Standard UK's Solvency & Financial Condition Report ("SFCR") available on its website.

Key performance indicators

The board considers certain key performance indicators ("KPIs") by reference to which the development, performance and position of Standard UK's business can be measured effectively. The following KPIs are closely monitored by the board:

	2023	2022
Premium $m	**131**	104
Retained earnings $m	**53**	58
Claims cover[1]	**2.6**	2.7
Combined ratio %[2]	**99**	101
P&I Tonnage under management (millions)	**71**	70

1. Ratio of net assets (excluding net outstanding claims) to net outstanding claims.

2. The ratio of total expenditure to total income, as set out in the technical account/general business section of the Statement of Income and Retained Earnings. A ratio below 100% indicates an underwriting surplus.

Premium and tonnage KPI's are monitored, as they reflect the overall size of, and exposure faced, by Standard UK. Tonnage is the amount of business on risk immediately following renewal on 20 February. This was increased at the February 2023 renewal as Standard UK added to its offshore accounts and was able to obtain a modest increase in its poolable business (along with an increase in premium rates).

The claims cover ratio shows the level of surplus assets to outstanding claims and gives a good indication of the financial strength of Standard UK.

Standard UK aims to achieve breakeven underwriting (which is indicated by a combined ratio of 100%). In recent years higher than expected levels of own large and other International Group clubs' pool claims have caused this ratio to be over 100% (showing an underwriting loss), although the last year saw a reduction in large claims and the return to an underwriting surplus. Standard UK is protected from underwriting volatility due to its 90% quota share arrangement with the group's Bermudian S&P 'A' rated reinsurer.

Operating model, business plan and future outlook

Immediately following the year end, Standard Club and North of England Protecting and Indemnity Association Limited and its subsidiaries ('North') merged and formed the NorthStandard group. The merger was concluded by the North of England Protecting and Indemnity Association Limited ('NEPIA' or 'NorthStandard Ltd'), the parent company of North) becoming the sole member of The Standard Club Limited, and the former members of Standard Club becoming members of NEPIA. NEPIA changed its name to "NorthStandard Limited" with effect from 20 February 2023.

Following the merger, the insurance companies within the NorthStandard group continue to operate as before, writing the same business to the same membership, with no change to core systems or processes. The same management team remains in place, with the same individuals and teams continuing to service members' and brokers' needs and carrying out core management, underwriting, claims handling, loss prevention, finance, reserving and control activities.

While all business has been renewed into Standard UK at 20 February 2023, there are now two UK insurers in the NorthStandard group, Standard UK and NorthStandard Ltd. It is likely the business of Standard UK will renew into NorthStandard Ltd at 20 February 2024 and Standard UK will go into run-off.

Standard UK has sufficient levels of surplus capital over its regulatory capital requirements to remain a going concern over the period of run off. It also holds a claims handling provision which has been assessed to be sufficient to cover the costs of running off historical claims, with claims handling and operational costs being covered by its 90% quota share reinsurance.

PRINCIPAL RISKS AND UNCERTAINTIES

How we manage risk

The board is responsible for identifying and managing Standard UK's risk. The board's risk management responsibilities are led by the Audit and Risk Committee, which reviews at each of its meetings the risks facing Standard UK, their potential impact, and the management and mitigation of those risks. The board sets Standard UK's risk appetite in relation to all key aspects of Standard UK's operations, and Standard UK's strategy reflects that appetite.

All risks are evaluated to assess their probability and their potential value and impact. Standard UK's management, acting through its Audit and Risk Committee, sets controls which are designed to ensure that the tolerances contained in the board's risk appetite are not exceeded, and where possible puts in place arrangements or processes to mitigate Standard UK's risks, and monitors emerging risks.

A risk register is maintained by Standard Club which records Standard UK's risks, their values, impact, mitigation and controls. The Standard Club's internal model reflects the risk identified and is used to assess their potential impact and the capital required to cover them.

The risk, compliance and internal audit functions, which report to the Audit and Risk Committee, play an important role in ensuring that Standard UK's risk management systems are functioning correctly.

Underwriting risk

Premium risk

The risk that premiums charged will not be sufficient to meet all associated claims and expenses, e.g. inappropriate underwriting or inadequate pricing.

Premium risk is managed by:

- clear underwriting controls;
- monitoring for undue concentrations of risk and acceptability of results consistent with risk appetite; and
- a dedicated safety and loss prevention function, aimed at ensuring that Standard UK underwrites only those shipowners who operate to an acceptable standard, as well as encouraging good risk management by members.

Premium risk is mitigated by appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, Standard UK's own non-Pool and retention reinsurance and the quota-share agreement with Standard Re.

Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to Standard UK's exposures.

Reserve risk

The risk that claims reserves will be inadequate to cover either known losses, and/or unknown or undeveloped losses, such as occupational diseases.

Reserve risk is managed by:

- prompt reserving of potential losses;
- regular review of individual estimates, allowing for inflation through to the likely date of settlement, and overall reserve adequacy, as well as regular systematic claims audits and monitoring the performance of individual claims handlers, to ensure consistency of approach; and
- modelling of technical provisions by Standard UK's actuarial function.

Financial risk

Credit risk

The risk of a loss occurring owing to the failure of a counterparty to meet its contractual debt obligations.

Counterparties include members, reinsurers, other International Group clubs, intermediaries, banks and investment counterparties.

The risk of default is mitigated by:

- using only well-rated reinsurers and monitoring their financial condition;
- Pooling Agreement provisions, which provide security for inter-club obligations;
- prompt follow-up of outstanding member premiums and suspension or cancellation of cover; and
- investment rules and counterparty limits.

Market risk

The risk of loss occurring from fluctuations in the value or income from investments, including the effects of fluctuations in interest and exchange rates.

Standard UK's investment strategy has been developed with the following objectives:

- to preserve capital for the payment of Standard UK's claims and other liabilities by limiting the risk in the portfolio as agreed from time to time by the board; and
- to maximise the overall returns as measured over rolling three-year periods, within the risk tolerance agreed by the board.

There are clear and regularly reviewed investment rules, and Standard UK manages its investment risk through investing widely and in different asset classes to diversify the overall portfolio and produce reasonable returns for lower volatility. Currency of investment is matched to the profile of liabilities to which Standard UK is exposed. Interest rate risk exposure is measured and controlled through regular consideration of the appropriate duration of the fixed interest part of the portfolio. Standard UK is exposed to equity price fluctuation risk, but the investment rules limit equity exposure. The investment asset and currency benchmarks are modified from time to time to reflect the board's reassessment of market risk appetite, as informed by their assessment of the investment markets as well as by risk appetite and regulatory considerations. Standard UK makes use of forward currency contracts to hedge its exposure to fluctuations in the value of non-core currencies, and to maintain the matching of the investment profile to the liability profile.

Liquidity risk

The risk arising from insufficient financial resources being available to meet liabilities as they fall due.

Standard UK continually monitors its cash and investments to ensure that it meets its liquidity requirements. Adequate cash holdings are maintained at all times and Standard UK's asset allocation strategy is designed in part to enable the ready availability of funds to meet insurance liabilities as they fall due. Standard UK regularly reviews the time period required to liquidate the investment portfolio. The likely cash outflows in relation to specific large claims are projected and kept under review. Significant claim settlements through the International Group Pool and reinsurance arrangements are subject to special settlement provisions that provide Standard UK with access to funding for large claims that are subject to reinsurance recoveries.

Operational risk

The risk resulting from inadequate or failed internal processes, people and systems, or from external events.

Standard UK has identified its operational risks and has in place appropriate controls to manage and mitigate such risks, consistent with good practice, regulatory guidance and legislation relating to human resources, financial crime, business continuity and information security. Appropriate controls are also in place to monitor Standard UK's material outsourcing arrangements. Detailed risk disclosures for credit, market and liquidity risk are set out in Note 13 to the financial statements.

DIRECTORS' DUTIES (S172 CA 2006)

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

As a mutual insurer, Standard UK exists for the benefit of its insured members. The key factors under section 172(1) are further considered below:

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

As set out in the strategic report, following renewal on the 20th February 2023 the North and Standard Club groups merged and formed the NorthStandard Group. Following the merger, the insurance companies within the NorthStandard group continue to operate as before, writing the same business to the same membership, with no change to core systems or processes. The level of service and cover offered to Standard UK's members have not been affected, nor has the financial security of the Club or the wider NorthStandard group been negatively impacted. In the likely event that Standard UK renews business into NorthStandard Ltd at 20 February 2024, the level of service and cover offered to members will not be affected by this future change.

2. The interests of Standard UK's employees

Standard UK has two direct employees and all other staff are provided by one of the Standard Club group's subsidiaries, Standard Club Management (UK) Limited.

3. The need to foster Standard UK's business relationships with suppliers, customers and others.

- Members – Members maintain a very close relationship with Standard UK and are directly involved in the strategy and direction of Standard UK. Members make up half of Standard UK's board of directors . Standard UK ensures members are informed with news and current performance of Standard UK through updates, comments and advice that are shared in club circulars and through Standard UK's social media channels. In normal years, Standard UK holds forums and seminars for members in various cities around the world. Standard UK also provides members access to information via the My Standard Club portal, through which members can view and download policy information and documentation, as well as run a range of real-time reports.
- Outsourcing arrangements with the wider Charles Taylor Group – Contractual arrangements are in place with Charles Taylor for the provision of support services under multi-year contracts. The Club's managers keep the outsourcing arrangements under constant review. The board also exercises oversight over outsourced functions through the regular reporting provided by the various function heads at each meeting of the board and its committees, through reports provided by the key functions (investments and internal audit) and through regular discussion between key board members and executives.
- Brokers/reinsurers – Standard UK coordinates regular engagement with key brokers and reinsurers through the broker relations team and reinsurance operations team respectively. In normal years, there are several annual industrywide events that bring senior management together with the leaders of the broking firms. The board receives updates on key broker relationships. Like members, brokers also have access to the My Standard Club portal.
- Regulators – Standard UK has transparent communication with its key regulators, facilitated by the managers' compliance team. Standard UK's business teams and directors also have ongoing engagement with Standard UK's regulators on an ad hoc basis, including when requested to discuss specific matters. Any significant regulatory engagements are reported to the board.

4. The impact of Standard UK's operations on the community and the environment.

- Standard UK continues to evaluate business risks and opportunities associated with climate change and environmental impact, and actively promotes positive environmental practices. Standard UK requires its members to comply with all relevant environmental regulations, standards and laws, and supports them in developing and maintaining best practice in their operating procedures and practices to minimise the impact of their businesses on the environment. The managers have taken steps to reduce their carbon footprint through their energy management policy and by promoting and building awareness of environmental responsibility amongst employees.

- Standard UK is a member of the International Group of P&I Clubs ("the IG") and is represented in various subcommittees and working groups within the IG. Standard UK collaborates with the other IG clubs across a range of industry issues through these bodies for the benefit of members generally.

- Standard UK has only two employees and Standard Club Management (UK) Limited is responsible for the property usage so the emissions of Standard UK are below 40,000kw.

5. The desirability of Standard UK maintaining a reputation for high standards of business conduct.

- Standard UK is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. The managers ensure that corporate values are communicated to all staff regularly to ensure that their work on behalf of Standard UK is carried out with integrity and fairness. These corporate values were last updated when Standard UK moved to in-house management and are reviewed annually and updated when considered appropriate and necessary. The values are included in the objectives and key results (OKRs) of Standard UK, which are incorporated into the objectives of all club teams and employees. All staff of the managers are required to comply with rules of good conduct.

6. The need to act fairly between members of Standard UK.

- The board and the managers are committed to treating customers and all stakeholders fairly, as well as keeping under review the quality of service that Standard UK provides. Details of the complaints process are published on Standard UK's website.

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

By order of the board,
J Grose
Director
24 May 2023
Registered no: 17864

REPORT OF THE DIRECTORS

The directors have pleasure in presenting their report and the audited financial statements of Standard UK for the financial year ended 20 February 2023.

CORPORATE GOVERNANCE

Standard UK comprises insured members from the international shipping community and seeks to follow good governance principles that would be generally recognised throughout world markets. Standard UK is regulated in the UK, as an insurance operation, although was also subject to group supervision requirements of the Bermuda Monetary Authority up until the completion of the merger of Standard Club with North on 20 February 2023.

Directors

The directors who held office during the year and up to the date of this report are shown on page 2 of this report.

Board responsibilities

The board's governance of Standard UK is set out in the board governance policies statement. This sets out, amongst other things, the board's role and matters reserved for the board, and the board's duties, composition and operation. The principal functions of the board include:

- governing and directing Standard UK's affairs;
- ensuring that Standard UK's objectives are being fulfilled;
- setting overall strategy and key policies;
- setting and reviewing Standard UK's risk appetite;
- overseeing risk management and compliance issues;
- ensuring that there is a suitable and clear allocation of responsibility between itself and the managers;
- satisfying itself that the managers have an appropriate structure for the management of Standard UK;
- directing and supervising the managers and considering their reports on all significant aspects of Standard UK's affairs; and
- ensuring that there are suitable systems of control.

At each board meeting, in accordance with the board governance policy, the directors are provided with up-to-date reports on the key financial indicators for Standard UK, and on risk, controls, underwriting, claims, investment and general policy issues. The directors are provided with board meeting papers in sufficient time before each board meeting to enable them to understand the relevant issues and to focus upon decisions that need to be made. The board has delegated the implementation of the board's strategy and policies, and management of the day-to-day operations to the managers.

With effect from 2018, Standard UK has been subject to the Senior Managers and Certification Regime (SMCR) extended to insurers by the PRA and FCA, to ensure greater individual accountability on specific individuals within an insurance business and to achieve greater clarity on governance structures. The board has satisfied itself that the relevant reviews and implementation of required documentation, policies and procedures have been undertaken, and that on-going compliance with the regimes is maintained.

Board membership

The majority of directors are non-executive and are not involved in day-to-day executive management of Standard UK and are, by virtue of the Articles of Association, owners or senior executives of insured member companies. The chairman is responsible for the direction and effectiveness of the board and the oversight of Standard UK's affairs and strategy. The chairman is elected for a term of three years but may be re-elected for four further terms. The board has the benefit of an insurance market professional and expert insurance and investment guidance from its managers and personnel within the managers' group, as well as access to independent insurance, regulatory, financial and investment expertise as required. One third of the directors who have been in office for the longest period must retire from office by rotation at each annual general meeting (AGM). In addition, any directors not appointed or reappointed at one of the preceding two AGMs and all directors appointed since the date of the last AGM must put themselves forward for election. It is normal practice for directors who have held office for nine years to seek annual re-election. Directors must retire from the board at the next AGM if they are no longer eligible to be elected to the board according to the Articles of Association.

Meetings of the board

Since the date of the last report, the board met on the following occasions: on 27 May 2022 (Rome), 14 October 2022 (Madrid), 31 January 2023 (Dublin) and on 24 May 2023 (Milan).

Audit and Risk Committee

The Audit and Risk Committee's role includes the review of the financial statements of Standard UK, its financial regulatory returns, relations with and reports from the external and internal auditors, and oversight of Standard UK's risk management and internal controls. The main responsibilities are set out in written terms of reference. During the year, the committee considered the nature and scope of the year-end audit and reviewed the annual report. It considered compliance with accounting standards, the independence (taking into consideration the FRC's Ethical Standard as applied to public interest entities) and effectiveness of the external auditors, and the scope and extent of non-audit services provided by them.

The committee reviewed the integrity and effectiveness of Standard UK's financial controls, the operation and resources of the risk management, compliance and internal audit functions, and the risk management, compliance and internal audit reports. Standard UK's principal risks and uncertainties and the effectiveness of the company's risk management and internal controls systems, including whistleblowing arrangements and procedures for detecting fraud and bribery, were reviewed by the committee and the board.

The committee received a report on whistleblowing incidents and complaints, if any, at each meeting. No whistleblowing incidents or complaints were notified to the committee during the year. At its meeting in October 2021 the board noted that the chair of the committee had agreed to be Standard UK's whistleblowing champion and take on the prescribed responsibility under SMCR for 'independence autonomy and effectiveness of the firm's policies and procedures on whistleblowing'. Standard UK's Corporate Legal Director, Chief Risk Officer and Head of Internal Audit will receive whistleblowing notifications in the first instance and escalate any notifications to the chair of the committee.

The committee monitored the capital requirements of Standard UK, reviewed the progress of the report on Standard UK's Own Risk and Solvency Assessment, and reviewed the development of Standard UK's internal model, including its inputs, assumptions, methodology, uses, sensitivities and outputs.

The committee considered Standard UK's on-going compliance with regulatory requirements, including the Senior Managers' and Certification Regime.

Statutory auditors

Standard UK's statutory auditor, BDO LLP, was reappointed for the current year in accordance with section 485 of the Companies Act 2006.

Maintenance of a sound system of internal controls

The board has satisfied itself, through review by the Audit and Risk Committee, that there are suitable and appropriate systems of control within Standard UK's management, including a process for identifying, evaluating and managing the risks that Standard UK faces, and that the controls operate effectively, including monitoring that Standard UK operates within its risk appetite and complies with its regulatory responsibilities.

Risk management

The board, and its Audit and Risk Committee, set and review on a regular basis Standard UK's risk appetite, the material business risks facing Standard UK, their potential impact, and the systems and controls in place to manage and mitigate those risks.

During the year, the board reviewed Standard UK's risk appetite statement which is used to provide guidance to management. At a strategic level, risk appetite is considered in terms of the likelihood that Standard UK may be required to make an unbudgeted supplementary call on members, whether directly as a result of its mutual underwriting activities or through other activities such as investing in risk-bearing assets. Standard UK uses its internal capital model in the assessment of aggregate levels of risk against risk appetite.

In addition, detailed measures of Standard UK's appetite for each of Standard UK's material risks have been established, with key risk indicators reported at each committee meeting.

Standard UK operates a 'three lines of defence' system of internal control, supplementing the management of risk by its business units through regular reviews of controls by the risk management function and tests of controls to ensure their effectiveness through internal audit assurance. The risk management system and processes are linked to Standard Club's internal model, whose outputs assist in the management of the business as well as in the assessment of the economic capital required to reflect the financial impact of business risks.

Standard UK's financial risk management is described further in the Principal Risk and Uncertainties section of the Strategic Report.

Compliance and regulation

Standard UK's compliance and regulatory obligations are overseen by the Audit and Risk Committee. The board agrees the compliance monitoring plan, and the managers' compliance function submits reports to all meetings of the Audit and Risk Committee, including details of work carried out pursuant to the compliance monitoring plan and any issues arising therefrom, highlighting areas of particular compliance and regulatory concern. These include financial crime; sanctions; conflicts; and fair treatment of members. The managers also report any incidents where controls have either failed or nearly failed or where risks have materialised or have come close to doing so.

Internal Audit

Standard UK's internal audit function is outsourced to Charles Taylor and is led by a senior Charles Taylor manager who is directly accountable to the chairman of the Audit and Risk Committee and has free and unrestricted access to the chairman of the board. During the year, the head of internal audit has attended the Audit and Risk Committee and board meetings either remotely or in person. Internal audit reports provided to the committee summarise the findings of the audits together with a schedule of the open P1 and P2 impact audit issues and progress against the agreed audit timetable. The audit timetable is risk based and reflects, amongst other things, the operational, financial, administrative and regulatory aspects of Standard UK's business, taking into account the internal procedures, the controls recorded in the risk register and any reported incidents. Some audits may be carried out by external, specialist, consultants.

Remuneration

A Standard Club group Remuneration Committee was established in 2020. The committee oversaw remuneration matters across the group (including Standard UK) during the financial year. Following the merger of Standard Club and North, the Standard Club group Remuneration Committee was disbanded from completion and NorthStandard Ltd's Group Nominations & Remuneration Committee now oversees remuneration matters across the NorthStandard group. Directors receive fees agreed by Standard UK membership in general meeting, (other than the fees of non-insured member directors which are agreed by the board), and which are appropriate to their non-executive status. The fees paid to the directors are in line with those paid in other P&I clubs. Executive directors do not receive director's fees. However, the performance-related elements of their remuneration have been reviewed by the respective remuneration committee to ensure that they are stretching and designed to promote the long-term success of the business. The Standard Club group remuneration committee has also considered the remuneration policy of the managers.

Dividends

The directors have elected not to pay a dividend during the financial year (2022: $10m).

Insurance and indemnity

Standard UK maintains liability insurance for its directors and officers, which is renewed on an annual basis. Standard UK also indemnifies its directors through its constitutional documents.

Conflicts of interest

The board has considered the potential conflicts of interest that exist within Standard UK's and the board's operations, and has adopted a conflicts of interest policy. A conflicts register is maintained, identifying potential conflicts of interest that could affect Standard UK. In a mutual organisation, the members are also the insured parties. Negotiations relating to any matter concerning members or directors in their capacity as insureds are conducted at arm's length. Directors do not participate in board discussions on specific matters concerning their companies as insureds. Procedures are in place to ensure that potential conflicts of interest between Standard UK and the managers, and between Standard UK's insured members, are identified and managed.

Business and ethical values

Standard UK is committed to conducting its business affairs in a fair, proper and ethical manner, and in compliance with all applicable laws, regulations and professional standards. Standard UK has adopted a set of values which was communicated to all staff to ensure that their work is carried out in line with these values. The board and managers are committed to treating customers and all stakeholders fairly and keep under review the quality of service that Standard UK provides. All staff are required to comply with rules of good conduct. Details of the complaints process are published on Standard UK's website.

Prevention of financial crime and whistleblowing

The managers have procedures to prevent Standard UK being involved in money laundering or inappropriate payments. They also have in place whistleblowing procedures to ensure that members of staff can raise matters of concern confidentially so that they may be appropriately investigated.

Sanctions compliance

Standard UK is committed to ensuring that it complies with all applicable legislation relating to international sanctions, and has implemented internal procedures and an automated screening process to ensure compliance. Standard UK also aims to ensure that members are kept up to date with relevant sanctions information to assist them in ensuring they too are compliant and do not inadvertently breach sanctions.

Health and safety

Standard UK strongly supports and encourages safe working practices on board the ships that are entered with Standard UK. The managers have a strong health and safety culture and have adopted appropriate policies to ensure that the management of Standard UK is carried out in a way that protects employees' health, wellbeing and safety. The managers have created three Employee Resource Groups (ERGs), one of which is dedicated to employee wellbeing.

Business continuity

The managers have full business continuity contingency plans, including disaster recovery, which they periodically test, to ensure that Standard UK can continue to operate in the event of a serious incident, for example, a terrorist event or cyber-attack. A full review of Standard UK's operational resilience and material outsourcing arrangements was recently conducted, in line with FCA and PRA requirements; this included identification of important business services, mapping of associated people, processes, technology and suppliers, and development of a BCP/DR plan and associated documentation. Business records and documentation are stored electronically in the cloud, are regularly backed-up and are accessible remotely from anywhere in the world. The continued impacts of COVID meant that for periods of the year, Standard UK's staff worked away from the office. However, having successfully transitioned to working primarily from home the previous year, Standard UK has been able to continue to provide the same level of high service to its members. Where conditions permitted, offices were reopened in accordance with government guidelines and hybrid working implemented with staff encouraged to spend a minimum of two days per week in the office.

Environmental, social and governance policy

While the subject of sustainability has been discussed within the shipping industry and finance sectors for more than a decade, it has only been in recent years that insurers have started to consider the impact that sustainability issues could have on their business.

On one level, Standard Club is already helping to underpin economic development and address sustainability issues on behalf of its members by actively preventing and managing the consequences of maritime losses.

However, there are many other ways Standard UK is working to support sustainability across the industry and in its own activities.

Standard Club has long held a forward-looking approach to identifying, assessing, managing and monitoring risks and in October 2020 an internal Sustainability Working Group was established, to ensure a coordinated and strategic approach to Standard UK's management of these issues.

Standard UK's sustainability team is made up of representatives from all different aspects of the business: claims, underwriting, loss prevention, risk, compliance, marketing and finance. The team reports direct to the Chief Executive and in turn to the board. Alongside this, Standard Club's Alternative Fuels Working Group, internal Climate Change and Ship Recycling go-to teams, and CSR employee resource group are closely linked to the sustainability team, sharing insights and working together on key topics which impact upon Standard UK, its members and managers.

Climate change represents one of the greatest long-term risks for society and industry, including the insurance industry. The Club continues to take a strategic and long-term approach to managing the risks of its members associated with climate change which are considered as part of the governance and risk management framework. Risks from climate change have been included in the Club's risk appetite across key risk areas. The Club uses scenario analysis to inform the risk identification process to further understand the short- and long-term financial risks in our business model. The emerging risk framework monitors physical, transitional and litigation risks from climate change and a cross-divisional working group inputs into the risk management framework. The Club continues to look at ways that it can further develop its framework in relation to climate change and has identified the need for industry wide common metrics to facilitate meaningful targets and a deeper understanding of the challenges facing our members.

The International Maritime Organization (IMO) reports that maritime transport is responsible for about 3% of global greenhouse gas (GHG) emissions and the IMO adopted an Initial Strategy in 2018 on the reduction of GHG emissions from shipping by at least 50% by 2050, compared to 2008 levels, with an interim goal of 40% emissions reduction by 2030. In June 2021, IMO adopted key short-term measures to be introduced in 2023 aimed at facilitating the identification of industry metrics such as the Energy Efficiency Existing Ship Index (EEXI) and for ships over 5,000 gross tonnes an annual operational carbon intensity indicator (CII) and CII rating. The maritime industry is embarking on a major technology transition driven by the need to decarbonise which will have a significant impact on costs, asset values, and earning capacity as it shifts from conventional to zero or carbon neutral fuels. Standard Club's Alternative Fuel Working Group was established internally to assist members with their transition to alternative fuels, and an Alternative Fuel Advisory Panel has been set up comprising of experts from across the industry to help the Group with wider concerns. A survey by this group is currently assessing the Club's members preparedness for the transition and the results will be used to further develop the Club's management of this important risk.

Standard Club's first sustainability report was published in the autumn of 2022, outlining the findings from this initial assessment and the Club's coordinated and strategic approach to managing sustainability issues in the future. As a member of the International Group (IG) of P&I Clubs, Standard Club also supports the IG's sustainability strategy and has actively contributed to the IG's own sustainability report which was published in the summer of 2022.

In terms of the Club's day-to-day operations, the managers have taken steps to reduce carbon footprint and minimise energy consumption through an energy management policy and by promoting and building awareness of environmental responsibility amongst employees. They communicate and engage with staff at all levels to identify, assess and reduce operational impact on the environment.

The shift to agile working, with staff working a number of days per week from home, has cut employee commuting emissions compared with pre-Covid levels. With the restrictions around travel having eased, the managers are looking at ways to preserve these carbon savings through the continued use of conferencing technologies. Furthermore, we are actively encouraging staff to consider the environmental impacts of travel when determining whether a business trip is necessary.

Furthermore, it is a paperless office with electronic document management systems, to reduce that office's environmental impact. A similar approach is adopted in the managers' overseas offices and there is a target of purchasing electricity globally from renewable energy sources. Where practicable, the managers source other supplies from local businesses to minimise distribution and transport-related emissions. Suppliers are required, as far as reasonable, to have an appropriate environmental policy.

Standard UK is exempt from providing the energy consumption disclosure obligations as set out in the Streamlined Energy and Carbon Reporting (SECR) requirements due to Standard UK's annual emissions being less than 40,000kw. This is in compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Reporting) Regulations 2018.

Equality of opportunity and gender diversity policy

The managers have formal policies which aim to attract and retain a diverse and flexible workforce. As far as board appointments are concerned, the board believes appointment should be based on merit and overall suitability for the role. When considering succession planning, the board bears in mind the balance of skills, knowledge, experience and diversity existing on the board. An Inclusion ERG has been created with the aim to create a culture where all club staff can be part of the workplace.

Modern slavery and human trafficking

Given the nature of its business, Standard UK considers that there is minimal risk that Standard UK, its managers or the supply chains which support Standard UK's business activities are involved in, or complicit in, slavery and human trafficking. The managers are committed to making sure that Standard UK's business and those of its suppliers are free from modern slavery and human trafficking and has therefore taken, and will take the steps set out in the NorthStandard Group Modern Slavery Act Statement published on the Club's website.

Events after the Balance Sheet date

The merger of Standard Club and North was completed on 20 February 2023. The merger doesn't impact the carrying value of the assets and liabilities reported in these financial statements. Refer to Note 24 for more details.

Future Developments

The future developments have been included in the Strategic report on page 4.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance contracts" issued by the Financial Reporting Council). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the ultimate parent company are responsible for the maintenance and integrity of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board,
J Grose
Director
24 May 2023

Registered no: 17864

Independent auditor's report to the members of the Standard Club UK limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of The Standard Club UK Limited's ("Standard UK") affairs as at 20 February 2023 and of its shortfall for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Standard UK for the year ended 20 February 2023 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and Financial Reporting Standard 103 *Insurance Contracts* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

Following the recommendation of the Audit and Risk Committee, we were appointed by the Board on 1 October 2018 to audit the financial statements for the year ended 20 February 2019 and subsequent periods. The period of total uninterrupted engagement including retenders and reappointments is 5 years, covering the years ended 20 February 2019 to 20 February 2023.

We remain independent of the Standard UK in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to Standard UK.

Conclusions relating to going concern

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

- Review and challenge of Standard UK's current plans and forecasts considering the impacts of post year end merger of North of England Protecting and Indemnity Association Limited and Standard Club Limited (the parent company of Standard UK);

- Enquiries of the Directors and scrutiny of management information, board minutes and regulatory correspondence to ascertain the existence of undisclosed events or obligations that may cast significant doubt on Standard UK's ability to continue as a going concern;
- Review of the latest available Own Risk and Solvency Assessment ('ORSA') to check compliance with regulatory solvency requirements. This included checking that stress testing was performed and consideration of the results of the stress testing as documented in the ORSA.
- Consideration of Standard UK's ability to settle its contractual obligations for the next 12 months from when the financial statements are authorised for issue; and
- Assessment of Standard UK's solvency position through reference of sufficiency of assets to meet liabilities and the adequacy of regulatory capital for the next 12 months from when the financial statements are authorised for issue;

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

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

Overview

Key audit matters		2023	2022
	Valuation and cut-off of technical provisions and reinsurer's share of technical provisions	✔	✔
Materiality	$3.67m (2022: $3.65m) based on 0.5% (2022: 0.5%) of Gross Assets.		

An overview of the scope of our audit

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

All audit work was performed directly by the audit engagement team which included the involvement of appointed specialists.

Key audit matters

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

Description of Key Audit Matter		Procedures performed to address this risk
Valuation and cut off of technical provisions and reinsurer's share of technical provisions (note 2b, 2h and 14) Gross technical provisions at 20 February 2023 $536.5m (2022: $548.8m). Net technical provisions were $33m (2022: $33.3m).	We have assessed this area as being of significant risk to the audit and a key audit matter due to the significance of these amounts in deriving the Standard UK's results and because of the degree of assumptions and estimation underpinning the determination of technical provisions, which can be highly subjective. In particular: Case reserves are inherently uncertain and rely on: • The expertise of the claims handlers and their experience of assessing claims in different jurisdictions and of different types. • The correct and timely entry of claims information onto the claims system before the year end. Modelling of the provision for claims incurred but not reported ('IBNR') is reliant on: • Up to date, relevant, claims data being correctly entered into actuarial models.	We performed the following procedures: **Valuation of Case Estimates:** • Agreed all case estimates above performance materiality and also a sample of non-material case estimates to supporting documentation, such as legal correspondence, to assess whether case estimates are valued appropriately. • For a sample of claim estimate movements we checked that the estimate movements were within claim handler authority limits. **Cut-off of Case Reserves:** • Agreed material claim adjustments and payments around the year end to supporting documentation and assessed whether these adjustments and payments were accounted for in the correct period. **Valuation of IBNR:** • Reconciled key inputs used by the actuaries to the information tested by the audit team and extracted from the underlying claims and underwriting systems to test the completeness and accuracy thereof. • With the assistance of our internal actuarial specialists, we assessed the appropriateness of the methodology, significant judgements and assumptions applied by Standard UK's actuarial team. • Reviewed the outturn of prior years' claims IBNR against previous estimates, to assess valuation of IBNR held against the subsequent claims' development.

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Selection of appropriate actuarial methodologies.
The application of appropriate actuarial techniques, judgement and assumptions (including the selection of appropriate models for occupational disease exposures).

Standard UK has a range of reinsurance placements, incorporating group quota share, pool excess of loss, non-pool cover and facultative covers.

The reinsurer's share of technical provisions is dependent on the correct valuation of gross reserves and the appropriate application of the portfolio of reinsurance agreements in place.

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With the assistance of our internal actuarial specialists, we independently projected ultimate claims using historical claims data and our own actuarial techniques.
For Strike and Delay class, with the assistance of our internal actuarial specialists, we reviewed the assumptions and methodology used and employed by Standard UK to determine the appropriateness thereof.
For occupational disease claims reserves, with the assistance of our internal actuarial specialists, we reviewed the assumptions and methodology used and employed by Standard UK to determine appropriateness thereof.

Valuation of Reinsurers' Share of Technical Provisions:

Recomputed recoveries on the quota share reinsurance arrangements through application of the ceding percentage to the technical provisions subject to quota share based on the agreement.
Assessed the accuracy of the excess of loss reinsurance calculations through identification of claims above reinsurance retention levels, thus eligible for recovery, and recalculating the reinsurers' share in line with the excess of loss reinsurance programme terms.

Key observations:

Based on our audit procedures performed we consider the judgements and assumptions made in the valuation of technical provisions and reinsurer's share of technical provisions and the cut-off of these provisions to be appropriate.

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Our application of materiality

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

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

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Standard UK financial statements	
	2023 $m	2022 $m
Materiality	3.67	3.65
Basis for determining materiality	0.5% of Gross Assets	
Rationale for the benchmark applied	The principal determinant in this assessment was Standard UK's Gross Assets, which we consider to be the most relevant benchmark, as it reflects a key measure of the ability of Standard UK to settle its claims liabilities as they fall due.	
Performance materiality	2.75	2.74
Basis for determining performance materiality	75%	75%
	75% was reflective of our assessed risk of the financial statements containing misstatements, after considering previous experience of this audit engagement.	

Specific Materiality

We also determined that for items in the financial statements that are presented net of the quota share reinsurance which involves ceding 90% of the gross financial statement value a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. This measure has been set as percentage of the net assets and determines the availability of reserves to provide distributions or need to make supplementary calls to covers shortfalls in reserves. As a result, a lower level of materiality has been determined and applied to these items being $1.6m (2022: $2m), which represents 3% of net assets (2022: 3.5%). We further applied a performance materiality of 75% (2022: 75%) of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them any misstatements in excess of $183k (2022: $182k) that we identified through the course of our audit, together with any qualitative matters that warrant reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of Standard UK and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or • the financial statements are not in agreement with the accounting records and returns; or • certain disclosures of Directors' remuneration specified by law are not made; or • we have not received all the information and explanations we require for our audit.

Responsibilities of directors

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

In preparing the financial statements, the directors are responsible for assessing Standard UK's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Standard UK or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

We gained an understanding of the legal and regulatory framework applicable to Standard UK and the industry in which it operates, and considered the risk of acts by Standard UK which were contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with Companies Act 2006, Prudential Regulatory Authority ('PRA') regulations, Financial Conduct Authority ('FCA') rules, FRS 102 and FRS 103. We obtained our understanding through internal and external training, and the use of an appropriately qualified and experienced audit team who specialise in the insurance sector. The team was briefed on the relevant risks applicable to irregularities and fraud at the planning meeting.

We also assessed the susceptibility to material misstatement, including fraud and considered the fraud risk areas to be the valuation of technical provisions and reinsurer's share of technical provisions and management override of controls.

Our procedures in response to the above included:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- In response to the risk of management override of controls, assessed the appropriateness of journal entries which met a specific defined criteria by agreeing to supporting documentation;
- In response to the risk of fraud in the valuation of technical provisions and reinsurer's share of technical provisions we have performed the procedures set out in the key audit matters section of our report;
- Enquiries of management and those charged with governance to ascertain if there has been any actual or suspected fraud;
- Review of minutes of board meetings throughout the period for any instances of non-compliance with laws and regulations or fraud;
- Obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the PRA and FCA to identify any irregularities or fraud reported to regulators;
- Review of Standard UK's ORSA including the Standard Club Group's ORSA as the risk assessment is also performed at group level to evaluate the adequacy of management's risk assessment and identify any areas susceptible to irregularities or fraud;
- We also communicated relevant identified laws and regulations and identified fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit; and
- Considered the impact of the merger of North of England Protecting and Indemnity Association Limited and Standard Club Limited on the risk of fraud.

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

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

Use of our report

This report is made solely to Standard UK's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to Standard UK's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Standard UK and Standard UK's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Barnes, Senior Statutory Auditor
For and on behalf of BDO LLP, Statutory Auditor
London, UK

26 May 2023

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

FINANCIAL STATEMENTS

STATEMENT OF INCOME AND RETAINED EARNINGS

for the financial year ended 20 February 2023

	Note	Total 2023 US$m	Total 2022 US$m
Technical account - general business			
Earned premiums, net of reinsurance			
Gross premiums earned including calls	4	131.2	104.2
Outward reinsurance premiums	5	(120.9)	(95.3)
Earned calls, net of reinsurance		10.3	8.9
Expenditure			
Claims paid	6	99.3	155.3
Reinsurers' share	7	(91.4)	(143.8)
Net claims paid		7.9	11.5
Change in provision for gross claims		(11.7)	(47.5)
Reinsurers' share		11.5	45.0
Change in net provision for claims		(0.2)	(2.5)
Claims incurred, net of reinsurance		7.7	9.0
Net operating expenses	8	1.2	1.0
Balance on the technical account for general business		1.4	(1.1)
Non-technical account			
Balance on the technical account for general business		1.4	(1.1)
Investment return net of expenses and charges	9	(2.9)	(0.9)
Exchange losses		(2.6)	(2.1)
Other expenses		(0.8)	-
Shortfall of income over expenditure before taxation		(4.9)	(4.1)
Tax on shortfall of income over expenditure	10	0.5	0.1
Shortfall of income over expenditure for the financial year transferred to/(from) retained earnings		(4.4)	(4.0)
Retained earnings at the beginning of the year		57.6	71.6
Result for the financial year		(4.4)	(4.0)
Dividends		-	(10.0)
Retained earnings at the end of the year		53.2	57.6

The income, expenditure and results for the year are wholly derived from continuing activities.

There are no recognised gains and losses other than those included in the Statement of Income and Retained Earnings.

The notes on pages 26 to 43 are an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 20 February 2023

	Note	Total 2023 US$m	Total 2022 US$m
Assets			
Investments			
Other financial investments	12	**60.8**	**58.5**
Reinsurers' share of technical provisions			
Claims outstanding	14	**503.5**	**515.5**
Unearned reinsurance premiums			
Provision for unearned reinsurance premium	14	**19.9**	**17.5**
Debtors			
Debtors arising out of direct insurance operations	15	**37.0**	**27.8**
Reinsurance debtors	16	**5.6**	**0.4**
Amounts owed by group undertakings		**82.0**	**83.2**
Deferred tax asset	11	**0.6**	**0.1**
Other debtors		**0.7**	**1.1**
		125.9	**112.6**
Other assets			
Cash at bank and in hand		**21.3**	**20.6**
Prepayments and accrued income		**2.7**	**5.9**
		24.0	**26.5**
Total assets		**734.1**	**730.6**
Reserves			
Retained earnings		**53.2**	**57.6**
Liabilities			
Technical provisions			
Gross claims outstanding	14	**536.5**	**548.8**
Creditors			
Creditors arising out of direct insurance operations	17	**7.4**	**9.6**
Reinsurance creditors	18	**36.7**	**37.6**
Other creditors including taxation	19	**0.2**	**0.2**
Amounts owed to group undertakings		**99.5**	**76.3**
		143.8	**123.7**
Accruals and deferred income		**0.6**	**0.5**
Total reserves and liabilities		**734.1**	**730.6**

The notes on pages 26 to 43 are an integral part of these financial statements.

The financial statements were approved by the board of directors on 24 May 2023 and were signed on its behalf by:

Alistair Groom
Chairman

Registered company number 17864

NOTES TO THE FINANCIAL STATEMENTS

1. Constitution

The Standard Club UK Ltd ("Standard UK") is incorporated in England as a company limited by guarantee and has a statutory reserve but no share capital. The members of Standard UK are liable for their rateable proportion of any deficiency of claims and expenses in excess of contributions and the board of directors decides whether any surplus is held in retained earnings for the purposes of Standard UK or returned to members. The address of its registered office is The Minster Building, 21 Mincing Lane, London EC3R 7AG. The registered company number is 17864. Standard UK's principal activities and operations are disclosed in the Strategic Report.

2. Accounting policies

(a) Basis of preparation

These financial statements have been prepared in compliance with applicable accounting standards in the United Kingdom including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") the Companies Act 2006 and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention, as modified for the fair valuation of certain financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Segmental information is presented by disclosing the split of Standard UK's classes of business in note 3 to the financial statements.

Retained earnings represents the free reserves of Standard UK and is established in accordance with rule 20.6 of the Rules of Standard UK. The retained earnings are the amounts available for distribution as dividends per the latest audited balance.

The financial statements are prepared on a going concern basis. The directors consider it appropriate to adopt the going concern basis of accounting in the preparation of these financial statements and are not aware of any material uncertainties to the company's ability to continue to do so for at least 12 months from the date of these financial statements (see note 13).

(b) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are Standard UK's key sources of estimation uncertainty:

- Insurance contract technical provisions

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the Statement of Financial Position. At the end of the reporting period, and as presented in Note 14, the technical provisions for claims amounted to $536.5m (2022: $548.8m) gross of reinsurance recoveries.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the Statement of Financial Position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR claims at the Statement of Financial Position date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based, in part, on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

– Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying these estimates is that past premium development can be used to project future premium development. At the end of the reporting period, and as presented in Note 4, the gross premiums include the recognition of the estimate of premiums underwritten during the year that have not yet been notified as at the end of the year and amount to $1.2m (2022: $5.4m).

(c) Exemptions for qualifying entities under FRS 102

The company has taken advantage of the following exemptions:

- the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements (FRS 102.1.12(b)).
- disclosing transactions or balances with entities which form part of the group (FRS 102.33.1A).

(d) Annual basis of accounting

The Statement of Income and Retained Earnings is prepared on an annual accounting basis and includes all the premiums for policies incepting in the year, the cost of claims incurred and reinsurance for the current year, and any adjustments relating to earlier years together with operating expenses and investment income. All revenue transactions appear in the Statement of Income.

The calls and premiums, reinsurance premiums payable, claims paid and related expenses, reinsurance recoveries and outstanding claims are all allocated to the policy years to which they relate. Return on investments and operating expenses are allocated to the current policy year.

(e) Calls and premiums

Calls and premiums include gross calls less return premiums. These calls and premiums are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any premium adjustments relating to the current and prior accounting periods. All policies written by Standard UK are coterminous with the year end and so there is no unearned premium at the 20 February.

(f) Claims incurred

Claims incurred comprise all claims paid, advances made on account of claims and related expenses paid in the year, and changes in provisions for outstanding claims, including provisions for incurred but not reported (IBNR) claims and related expenses.

(g) Reinsurance recoveries

Reinsurance recoveries represent recoveries made and due in respect of claims paid by Standard UK. They include amounts recoverable under the International Group's Pooling Agreement, market reinsurance contracts and intercompany reinsurance with Standard Re. The figures in the Statement of Income relate to recoveries on claims incurred during the year.

Outstanding claims in the Statement of Financial Position are shown gross of reinsurance and the reinsurance recoveries are shown as an asset.

(h) Claims provisions and related reinsurance recoveries

The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The estimation of IBNR claims is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to Standard UK. Standard UK takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. An allowance for future claims handling costs is included in the provision.

Claims estimates for Standard UK are derived from a combination of loss ratio-based estimates and a variety of estimation techniques. These are generally based upon statistical analyses of historical experience, which assume that the development pattern of the current claims will be consistent with past experience. However, allowance is made for changes or uncertainties that may create distortions in the underlying statistics or that may cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in club processes that might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

The variety of estimation techniques assists in giving greater understanding of the trends inherent in the data being projected and in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each policy year.

Large claims impacting each relevant business class are generally assessed separately, being measured and/or projected on a case-by-case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Pollution and asbestosis claims can have a very long delay between the occurrence and notification. In estimating the cost of these claims, Standard UK considers the type of risks written historically that may give rise to exposure to these liabilities, notifications received from policyholders, the nature and extent of the cover provided, the current legal environment, changes in the effectiveness of clean-up techniques and industry benchmarks of the typical cost of such claims.

Claims reserves are estimated on an undiscounted basis apart from asbestos related claims. Due to the very long delay between the inception date of the policy and the final settlement of a claim which has arisen due to an exposure to asbestos, such asbestos related claims provisions and IBNR thereon are discounted to take account of the expected investment income receivable between the Statement of Financial Position date and settlement on the assets held to cover these provisions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, and are adjusted to reflect changes in the nature and extent of Standard UK's reinsurance programme over time.

An assessment is also made of the recoverability of reinsurance with regard to market data on the financial strength of each of the reinsurance companies.

(i) Reinsurance premiums

Reinsurance premiums, less returns, are premiums paid and accrued in respect of the reinsurance agreement with market underwriters and intercompany reinsurance with Standard Re.

Unearned reinsurance premiums represent the proportion of reinsurance premiums written in the year that relate to unexpired terms of reinsurance agreements in force at the Statement of Financial Position date, calculated on a time apportionment basis.

(j) Investment return

Investment return comprises all investment income, realised investment gains and losses, and movements in unrealised gains and losses, net of investment expenses, charges and interest. Dividends are recorded on the date on which the shares are quoted ex-dividend and include the imputed tax credits. Interest and expenses are accounted for on an accruals basis. Realised gains and losses on investments carried at market value are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the Statement of Financial Position date and their purchase price or, if they have been previously valued, their valuation at the last Statement of Financial Position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period. The investment return is reported in the non-technical account.

(k) Financial instruments

Standard UK has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the UK in conformity with the requirements of the Companies Act 2006) and the disclosure requirements of FRS 102 in respect of financial instruments.

– Financial assets at fair value through profit or loss

Standard UK classifies its investments as financial assets at fair value through profit or loss. As a result, gains and losses are taken to the Statement of Income, which reflects the management of the portfolio on a fair value basis. Fair values of investments traded in active markets are measured at bid price. Where there is no active market, fair value is measured by reference to other factors.

– Derivative financial investments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Standard UK does not engage in hedge accounting and changes in the fair value of all derivative investments are recognised immediately in the Statement of Income.

– Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable settlement values. Amounts due from members and reinsurers are included in this category and are measured at cost less any provision for impairment in value.

(l) Foreign currencies

Standard UK's financial statements are presented in US dollars which is Standard UK's functional currency.

Monetary assets and liabilities in foreign currencies are translated at the US dollar rate of exchange at the Statement of Financial Position date with the resulting difference treated as an exchange gain or loss within the non-technical account.

Revenue transactions in foreign currencies are translated into US dollars at the rate applicable for the week in which the transaction takes place. Exchange differences are reported in the non-technical account.

Foreign currency contracts are entered into in order to hedge the currency exposure of the investment portfolio. The contracts are for the forward currency transactions, which are matched by holdings of those currencies. The open contracts have been revalued at year-end rates of exchange and the potential profit or loss included in the non-technical account.

(m) General administration expenses

General administration expenses, including managers' remuneration, are included on an accruals basis.

(n) Taxation

Taxation provided is that which became chargeable during the year. Provision is made for deferred tax liabilities, using the liability method, on all material timing differences, including revaluation gains and losses on investments recognised in the Statement of Income. Deferred tax is calculated at the rates at which it is expected that the tax will arise. Deferred tax is recognised in the Statement of Income for the period. Deferred tax balances are not discounted. Deferred tax assets are recognised to the extent that they are regarded as recoverable. Assets are regarded as recoverable when it is more likely than not that there will be suitable net taxable income from which the future reversal of the underlying timing differences can be deducted.

3. Segmental analysis by class

The segmental results of the classes of Standard UK are set out as follows:

3.1 Statement of comprehensive income

As at 20 February 2023

	Total	Class 1 – P&I	Class 2 – Defence	Class 3 – Coastal & Inland	Class 4 – War	Class 5 – Strike & Delay
	US$m	US$m	US$m	US$m	US$m	US$m
Technical account - general business						
Earned premiums, net of reinsurance						
Gross premiums earned, including calls	**131.2**	**120.5**	**3.0**	**0.2**	**0.4**	**7.1**
Outward reinsurance premiums	**(120.9)**	**(111.5)**	**(2.7)**	**(0.2)**	**-**	**(6.5)**
Earned premiums, net of reinsurance	**10.3**	**9.0**	**0.3**	**-**	**0.4**	**0.6**
Expenditure						
Gross claims paid	**99.3**	**86.8**	**3.7**	**3.0**	**-**	**5.8**
Reinsurers' share	**(91.4)**	**(79.8)**	**(3.4)**	**(2.8)**	**-**	**(5.4)**
Claims incurred, net of reinsurance	**7.9**	**7.0**	**0.3**	**0.2**	**-**	**0.4**
Change in provision for claims	**(11.7)**	**(7.8)**	**(1.2)**	**(1.9)**	**-**	**(0.8)**
Reinsurers' share	**11.5**	**7.8**	**1.1**	**1.8**	**-**	**0.8**
Net operating expenses	**1.2**	**0.9**	**-**	**0.1**	**0.1**	**0.1**
Total expenditure	**8.9**	**7.9**	**0.2**	**0.2**	**0.1**	**0.5**
Balance on the technical account for general business	**1.4**	**1.1**	**0.1**	**(0.2)**	**0.3**	**0.1**
Non-technical account						
Balance on the technical account for general business	**1.4**	**1.1**	**0.1**	**(0.2)**	**0.3**	**0.1**
Investment return net of expenses and charges	**(2.9)**	**0.4**	**(0.8)**	**(1.4)**	**(1.1)**	**-**
Exchanged (losses)/gains	**(2.6)**	**0.1**	**-**	**(2.7)**	**-**	**-**
Other income/(charges) including value adjustments	**(0.8)**	**(0.8)**	**-**	**-**	**-**	**-**
Excess/(shortfall) of income over expenditure before taxation	**(4.9)**	**0.8**	**(0.7)**	**(4.3)**	**(0.8)**	**0.1**
Tax on excess/(shortfall) of income over expenditure	**0.5**	**0.5**	**-**	**-**	**-**	**-**
Excess/(shortfall) of income over expenditure for the financial year	**(4.4)**	**1.3**	**(0.7)**	**(4.3)**	**(0.8)**	**0.1**
Total comprehensive (expenses)/income for the year transferred to retained earnings	**(4.4)**	**1.3**	**(0.7)**	**(4.3)**	**(0.8)**	**0.1**

As at 20 February 2022

	Total	Class 1 – P&I	Class 2 – Defence	Class 3 – Coastal & Inland	Class 4 – War	Class 5 - Strike & Delay
	US$m	US$m	US$m	US$m	US$m	US$m
Technical account - general business						
Earned premiums, net of reinsurance						
Gross premiums earned, including calls	104.2	93.5	2.5	0.3	0.5	7.4
Outward reinsurance premiums	(95.3)	(85.9)	(2.3)	(0.3)	-	(6.8)
Earned premiums, net of reinsurance	8.9	7.6	0.2	-	0.5	0.6
Expenditure						
Gross claims paid	155.3	143.5	3.3	3.7	-	4.8
Reinsurers' share	(143.8)	(133.0)	(3.0)	(3.4)	-	(4.4)
Claims incurred, net of reinsurance	11.5	10.5	0.3	0.3	-	0.4
Change in provision for claims	(47.5)	(47.1)	0.1	(2.3)	-	1.8
Reinsurers' share	45.0	44.8	(0.1)	2.0	-	(1.7)
Net operating expenses	1.0	0.7	-	0.1	0.1	0.1
Total expenditure	10.0	8.9	0.3	0.1	0.1	0.6
Balance on the technical account for general business	(1.1)	(1.3)	(0.1)	(0.1)	0.4	(0.0)
Non-technical account						
Balance on the technical account for general business	(1.1)	(1.3)	(0.1)	(0.1)	0.4	0.0
Investment return net of expenses and charges	(0.9)	(0.3)	(0.1)	(0.3)	(0.2)	-
Exchanged (losses)/gains	(2.1)	(0.1)	-	(2.0)	-	-
Excess/(shortfall) of income over expenditure before taxation	(4.1)	(1.7)	(0.2)	(2.4)	0.2	0.0
Tax on excess/(shortfall) of income over expenditure	0.1	0.1	-	-	-	-
Excess/(shortfall) of income over expenditure for the financial year	(4.0)	(1.6)	(0.2)	(2.4)	0.2	0.0
Other comprehensive (expenses)/income net of tax						
Total comprehensive (expenses)/income for the year transferred to retained earnings	(4.0)	(1.6)	(0.2)	(2.4)	0.2	0.0

3.2 Consolidated balance sheet

As at 20 February 2023

	Total	Class 1 – P&I	Class 2 – Defence	Class 3 - Coastal & Inland	Class 4 – War	Class 5 - Strike & Delay
	US$m	US$m	US$m	US$m	US$m	US$m
Assets						
Investments	**60.8**	**41.3**	**-**	**19.5**	**-**	**-**
Reinsurers' share of technical provisions	**503.5**	**493.9**	**2.0**	**5.0**	**-**	**2.6**
Provision for unearned reinsurance premium	**19.9**	**19.9**	**-**	**-**	**-**	**-**
Debtors	**125.9**	**99.3**	**3.8**	**19.6**	**0.3**	**2.9**
Other assets	**21.3**	**20.8**	**-**	**0.5**	**-**	**-**
Prepayments and accrued income	**2.7**	**1.3**	**-**	**-**	**-**	**1.4**
Total assets	**734.1**	**676.5**	**5.8**	**44.6**	**0.3**	**6.9**
Reserves						
Retained earnings	**53.2**	**9.9**	**8.2**	**21.3**	**13.8**	**0.0**
Liabilities						
Technical provisions	**536.5**	**526.0**	**2.2**	**5.5**	**-**	**2.8**
Creditors	**143.8**	**140.2**	**(4.6)**	**17.8**	**(13.7)**	**4.1**
Accruals and deferred income	**0.6**	**0.4**	**-**	**-**	**0.2**	**-**
Total reserves and liabilities	**734.1**	**676.5**	**5.8**	**44.6**	**0.3**	**6.9**

As at 20 February 2022

	Total	Class 1 – P&I	Class 2 – Defence	Class 3 - Coastal & Inland	Class 4 – War	Class 5 - Strike & Delay
	US$m	US$m	US$m	US$m	US$m	US$m
Assets						
Investments	58.5	37.8	-	20.7	-	-
Reinsurers' share of technical provisions	515.5	501.7	3.2	7.2	-	3.4
Provision for unearned reinsurance premium	17.5	17.5	-	-	-	-
Debtors	112.6	87.6	2.8	17.8	0.1	4.3
Other assets	20.6	18.9	-	1.7	-	-
Prepayments and accrued income	5.9	2.1	-	0.3	0.1	3.4
Total assets	730.6	665.6	6.0	47.7	0.2	11.1
Liabilities						
Reserves	57.6	8.6	8.9	25.6	14.6	(0.1)
Technical provisions	548.8	533.8	3.4	8.0	-	3.6
Creditors	123.7	123.1	(6.4)	14.1	(14.7)	7.6
Accruals and deferred income	0.5	0.1	0.1	-	0.3	-
Total reserves and liabilities	730.6	665.6	6.0	47.7	0.2	11.1

4. Gross premiums earned including calls

	2023	2022
	US$m	US$m
Estimated total premium, other premiums and releases 2022/23 (2021/22)	**131.5**	105.1
Adjustment for previous policy years	**(0.3)**	(0.9)
Total calls and premiums	**131.2**	104.2

5. Outward reinsurance premiums

	2023	2022
	US$m	US$m
Quota-share reinsurance premium payable to Standard Reinsurance (Bermuda) Limited	**89.5**	76.4
Other reinsurance premiums	**33.8**	21.9
Change in the provision for unearned premiums, reinsurers' share	**(2.4)**	(3.0)
Reinsurance premiums paid	**120.9**	95.3

6. Claims paid

	2023 US$m	2022 US$m
Members' claims	**102.9**	105.6
Other P&I clubs' pool claims	**(3.6)**	49.7
Total claims paid	**99.3**	155.3

7. Reinsurers' share of claims paid

	2023 US$m	2022 US$m
Claims recoverable from reinsurers	**(6.2)**	(39.9)
Claims recoverable from group excess of loss reinsurance	**(6.6)**	(14.6)
Quota share	**(73.4)**	(104.7)
Claims recoverable from pool	**(5.2)**	15.4
Reinsurers' share of claims paid	**(91.4)**	(143.8)

8. Net operating expenses

	2023 US$m	2022 US$m
Acquisition costs		
Management costs	**4.0**	4.1
General expenses	**1.2**	0.2
Administrative expenses		
Management costs	**4.3**	4.1
General expenses	**0.6**	0.7
Safety and loss control	**0.2**	-
Directors' fees	**0.1**	0.1
Auditors' remuneration for audit of the financial statements	**0.2**	0.1
Auditors' remuneration for other services	**-**	-
Net operating expenses (before ceding commission)	**10.6**	9.3
Ceding Commission	**(9.4)**	(8.3)
Net operating expenses (after ceding commission)	**1.2**	1.0

Four of the six directors of Standard UK are also directors of the ultimate parent undertaking. All but one (the Group CEO) receive remuneration from the parent undertaking for their services. The Group CEO receives remuneration from the Group's management companies. Standard UK has no employees.

Standard UK paid management fees to Standard Club Management (UK) Limited, a company that is also part of the Standard Group.

Ceding commission relates to the amounts in net operating expenses ceded to Standard Re as part of the quota share reinsurance agreement with Standard UK.

Fees payable to Standard UK's auditors for audit of the financial statements was $243k (2022: $151k). Auditors' remuneration for other services represents audit-related assurance services are nil (2022: $47k). Taxation compliance services are nil (2022: nil).

9. Investment return net of expenses and charges

	2023 US$m	2022 US$m
Investment income		
Shares and other variable-yield securities and unit trusts	**-**	0.3
Debt securities and other fixed-income securities	**0.8**	0.6
Deposit Interest	**0.3**	-
Gains arising on realisation of investments	**-**	2.7
	1.1	3.6
Investment expenses and charges		
Investment management expenses	**(0.2)**	(0.1)
Losses on realisation of investments	**(3.0)**	(0.2)
	(3.2)	(0.3)
Movement in unrealised gains on investments	**(1.3)**	(3.1)
Movement in unrealised losses on investments	**0.5**	(1.1)
	(0.8)	(4.2)
Total investment return	**(2.9)**	(0.9)

10. Tax on excess of income over expenditure

	2023 US$m	2022 US$m
Analysis of tax in the period		
Total current tax (credit) / charge	**-**	(0.1)
Total deferred tax	**(0.5)**	(0.1)
Tax on shortfall of income over expenditure	**(0.5)**	(0.2)

Factors affecting tax on investment income for the year

The tax assessed for the year is lower (2022: lower) than the standard rate of corporation tax in the UK 19% (2022: 19%). The differences are explained below:

	2023 US$m	2022 US$m
Shortfall of income over expenditure before taxation	**(4.9)**	(4.1)
Tax at 19% (2022: 19%)	**(0.9)**	(0.8)
Income not assessable for tax purposes	**0.9**	0.8
Adjustments in respect of prior periods	**-**	0.1
Total tax credit / (charge) for the year	**-**	0.1

Corporation tax is charged on a proportion of Standard UK's investment income. The mutual activities of Standard UK are not subject to corporation tax.

The UK corporation tax rate increased from 19% to 25% from 1 April 2023, affecting companies with profits of £250,000 and over.

11. Deferred tax asset

	2023 US$m	2022 US$m
Opening deferred tax asset	**0.1**	-
Movement in period	**0.5**	0.1
Closing deferred tax asset	**0.6**	0.1

12. Other financial investments

	2023 US$m	2022 US$m
Financial assets at fair value through profit or loss	60.8	58.5
Total financial assets at market value	**60.8**	**58.5**
Financial assets at fair value through profit or loss	61.8	58.9
Total financial assets at cost	**61.8**	**58.9**
Included in the carrying values above are amounts in respect of listed investments as follows:		
- Shares and other variable-yield securities and units in unit trusts	2.2	2.7
- Debt securities and other fixed income securities	58.7	55.9
Total listed investments	**60.9**	**58.6**
Included in the carrying values above are amounts in respect of unlisted investments as follows:		
- Shares and other variable-yield securities and units in unit trusts	-	-
- Debt securities and other fixed income securities	-	-
Total unlisted investments	**-**	**-**
Total financial assets at market value	**60.9**	**58.6**

13. Management of insurance and financial risk

Standard UK is exposed to a range of insurance and financial risks through its operations as a protection and indemnity insurer.

This section summarises these risks and the way Standard UK manages those risks (in addition to the risk management policies set out in the report of the directors).

13.1 Insurance Risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. This risk can be divided into premium risk (the risk that premiums charged will not be sufficient to meet all associated claims and expenses) and reserve risk (the risk that claims reserves will be inadequate to cover either known losses, and/or unknown or undeveloped losses, such as occupational diseases).

These risks are managed as follows:

Premium Risk

Premium risk is managed by clear underwriting controls including risk assessment tools, pricing models and clear authority levels. This risk is monitored for undue concentrations of risk and consistency with Standard UK's risk appetite as set by the board. The risk management process is aided by a dedicated loss prevention function, aimed at ensuring that Standard UK underwrites only those ship owners who operate to an acceptable standard.

Premium risk is mitigated through the acquisition of appropriate reinsurance programmes, including the International Group pooling and reinsurance programme, and also Standard UK's own non-Pool, retention and stop-loss reinsurances. Reinsurance strategy is set by the board in line with the board's risk appetite and is designed to mitigate the insurance risk through programmes tailored to Standard UK's exposures.

In addition to external reinsurance cover, Standard UK benefits from a 90% quota share reinsurance with Standard Re which substantially mitigates the economic impact of both premium and reserve risk.

Reserve risk

Reserve risk is managed by the prompt reserving of potential losses, regular review of individual estimates and overall reserve adequacy, as well as regular, systematic claims audits and the monitoring of consistency of estimating approaches, and the modelling of technical provisions by Standard UK's actuarial function.

While the board considers that the liability for insurance claims recognised in these financial statements is adequate, it recognises that actual experience will differ from the expected outcome. The following table presents the sensitivity of the value of insurance liabilities disclosed in note 14 to movements in the assumptions used in the estimation of insurance liabilities. These sensitivities relate mainly to the P&I class as this represents Standard UK's largest exposure.

	Increase		Decrease	
	2023	2022	**2023**	2022
Impact on profit - gross of reinsurance	**US$m**	US$m	**US$m**	US$m
Increase/decrease in loss ratio by 5 percentage points	**(6.6)**	(5.2)	**6.6**	5.2
10% increase/decrease in the number of occupational disease claims	**(1.9)**	(2.4)	**1.9**	2.4
10% increase/decrease in claims handling expenses	**(1.2)**	(0.1)	**1.2**	0.1
10% increase/decrease in number of IBNR claims	**(4.1)**	(5.2)	**4.1**	5.2
Impact on profit - net of reinsurance				
Increase in loss ratio by 5 percentage points	**(0.5)**	(0.4)	**0.5**	0.4
10% increase/decrease in the number of occupational disease claims	**(0.2)**	(0.2)	**0.2**	0.2
10% increase/decrease in claims handling expenses	**(0.1)**	-	**0.1**	-
10% increase/decrease in number of IBNR claims	**(0.1)**	(0.3)	**0.1**	0.3

13.2 Financial risk

Standard UK is exposed to a range of financial risks through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Market risk

- Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities.

Interest rate risk is managed through Standard UK’s investment strategy. Debt and fixed interest securities are predominantly invested in high quality corporate and government-backed bonds, with Standard UK having defined investment guidelines that limit exposure in such holdings.

At the end of the financial year, approximately 96% (2022: 96%) of Standard UK's investment portfolio was invested in fixed interest assets. The weighted duration of the investment portfolio was 1.8 years (2022: 2.9 years).

Standard UK has no debt liability with interest payments that vary with changes in the interest rates.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase of 150 basis points in bond yields would result in a deficit for Standard UK of $1.6m (2022: $4.0m).

- Equity price risk

Standard UK is exposed to equity price risk as a result of its holdings in equity investments. Standard UK has defined investment guidelines that limit exposure in such holdings. Sensitivity analysis for equity price risk illustrates the effect of changes in equity market indices on the value of the investment portfolio. A 10% decrease in equity values would be estimated to have increase the shortfall before tax at the year-end by $0.2m (2022: $0.3m).

- Currency risk

Standard UK is exposed to currency risk in respect of liabilities under insurance policies denominated in currencies other than US dollars. The most significant currencies to which Standard UK is exposed are Sterling and the Euro. Standard UK seeks to manage this risk by constraining the deviation of the currencies of the assets from the estimated currencies of the liabilities. Standard UK also uses forward currency contracts to protect currency exposures and maintain investment policy benchmarks.

The profile of Standard UK's assets and liabilities, categorised by settlement currency, at their translated carrying amount, is set out below. Certain amounts, either due to their nature, notably reinsurer's share of outstanding claims, or the existence of forward contracts, may depend on a different underlying currency.

	US$ US$m	GBP US$m	EUR US$m	Other US$m	Total US$m
As at 20 February 2023					
Total assets	**677.8**	**12.5**	**39.9**	**3.9**	**734.1**
Total liabilities	**619.9**	**7.9**	**43.1**	**10.0**	**680.9**
Net asset / (liability) position	**57.9**	**4.6**	**(3.2)**	**(6.1)**	**53.2**
As at 20 February 2022					
Total assets	657.6	10.5	56.9	5.6	730.6
Total liabilities	600.9	10.1	49.5	12.5	673.0
Net asset / (liability) position	**56.7**	**0.4**	**7.4**	**(6.9)**	**57.6**

At 20 February 2023, had Sterling strengthened by 10% against the US dollar with all other variables held constant, the shortfall for the year would have been $0.9m lower (2022: remain as is). Had the Euro strengthened by 10% against the USD dollar the shortfall for the year would have been $0.5m lower (2022: $0.7m higher).

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where Standard UK is exposed to credit risk are:

- reinsurers' share of insurance liabilities
- amounts due from reinsurers in respect of claims already paid
- amounts due from members
- counterparty risk with respect to cash and investments

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2023 **US$m**	2022 US$m
Derivative financial instruments	**(0.1)**	(0.1)
Debt securities	**58.7**	55.9
Loans and receivables	**119.7**	112.2
Assets arising from reinsurance contracts held	**5.6**	0.4
Cash at bank and in hand	**21.3**	20.6
Reinsurers' share of claims outstanding	**503.5**	515.5
Total assets bearing credit risk	**708.7**	704.5
AAA	**34.8**	30.2
AA	**29.4**	12.9
A	**578.8**	610.5
BBB	**20.3**	20.5
Not rated	**45.4**	30.4
Total assets bearing credit risk	**708.7**	704.5

The concentration of credit risk is substantially unchanged compared to the prior year. No financial assets are past due or impaired at the reporting date and management expects no significant losses from non-performance by these counterparties.

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of Standard UK is the obligation to pay claims to policy holders as they fall due. Standard UK maintains holdings in short term deposits to ensure sufficient funds are available to cover anticipated liabilities and unexpected levels of demand.

The following table provides a maturity analysis of Standard UK's financial assets (classes 1 to 5 combined) representing the date that a contract will mature, amounts are due for payment, or the asset could be realised without significant additional cost:

	Short term assets US$m	Within 1 year US$m	Within 1-2 years US$m	Within 2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2023						
Shares and other variable yield securities and units in unit trusts	2.2	-	-	-	-	2.2
Debt securities and other fixed income securities	56.7	2.0	-	-	-	58.7
Forward currency contracts	(0.1)	-	-	-	-	(0.1)
Cash balances	21.3	-	-	-	-	21.3
Amounts owed by group undertakings	82.0					82.0
Debtors	9.4	34.5	-	-	-	43.9
Reinsurers' share of claims outstanding	-	179.4	101.1	126.4	96.6	503.5
	171.5	215.9	101.1	126.4	96.6	711.5
As at 20 February 2022						
Shares and other variable yield securities and units in unit trusts	2.7	-	-	-	-	2.7
Debt securities and other fixed income securities	47.8	8.1	-	-	-	55.9
Forward currency contracts	(0.1)	-	-	-	-	(0.1)
Cash balances	20.6	-	-	-	-	20.6
Amounts owed by group undertakings	83.2	-	-		-	83.2
Debtors	1.7	27.5	-	-	-	29.2
Reinsurers' share of claims outstanding	-	187.0	103.5	123.4	101.6	515.5
	155.9	222.6	103.5	123.4	101.6	707.0

The following is an analysis of the estimated timings of net cash flows by financial liability (classes 1 to 5 combined). The timings of cash flows are based on current estimates and historical trends and the actual timings of cash flows may be materially different from those disclosed below:

	Within 1 year US$m	Within 1-2 years US$m	Within 2-5 years US$m	Over 5 years US$m	Total US$m
As at 20 February 2023					
Gross outstanding claims	191.0	107.7	134.7	103.1	536.5
Creditors	143.8	-	-	-	143.8
	334.8	107.7	134.7	103.1	680.3
As at 20 February 2022					
Gross outstanding claims	199.1	110.2	131.3	108.2	548.8
Creditors	123.7	-	-	-	123.7
	322.8	110.2	131.3	108.2	672.5

Fair value estimations

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Listed quoted prices in active markets and external broker quotes which are publicly, readily and regularly available on an active market.

Level 2 - Inputs other than quoted prices included within level 1 that are observable, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the assets and liabilities measured at fair value at 20 February 2023 and at 20 February 2022.

Financial assets at fair value through Statement of Income and Retained Earnings:

	Level 1 US$m	Level 2 US$m	Level 3 US$m	Total US$m
As at 20 February 2023				
Shares and other variable yield securities and unit trusts	2.2	-	-	2.2
Debt securities and other fixed income securities	58.7	-	-	58.7
Forward currency contracts	(0.1)	-	-	(0.1)
	60.8	-	-	60.8
As at 20 February 2022				
Shares and other variable yield securities and unit trusts	2.7	-	-	2.7
Debt securities and other fixed income securities	53.3	2.6	-	55.9
Forward currency contracts	(0.1)	-	-	(0.1)
	55.9	2.6	-	58.5

Capital management

Standard UK maintains an efficient capital structure from the use of members' funds (reserves) along with the ability to make unbudgeted calls, if required, consistent with Standard UK's risk profile and the regulatory and market requirements of its business.

Standard UK's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its members and meet regulatory requirements
- to maintain an 'A' rating with Standard and Poor's
- to manage exposures to movement in exchange rates
- to retain financial flexibility by maintaining strong liquidity

Standard UK's regulators are the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Standard UK is subject to capital requirements in the form of a Solvency Capital Requirement (SCR) and a Minimum Capital Requirement (MCR). As set out in the Strategic report, the unaudited own funds on a Solvency II basis covers 160% of the Solvency Capital Requirement (“SCR”) and 459% of the Minimum Capital Requirement (“MCR”).

The SCR is calibrated to ensure that all quantifiable risks to which Standard UK is exposed are taken into account and corresponds to the Value-at-Risk of capital subject to a confidence level of 99.5% over a one-year period. The MCR sets a capital requirement significantly lower than the SCR and corresponds to an amount of capital below which policy holders are exposed to an unacceptable level of risk.

The Solvency II regime provides specific rules for the valuation of assets and liabilities, including technical provisions, which differ in some respects from UK GAAP. Furthermore, Solvency II rules for the determination, classification and eligibility of own funds limit the comparability of Standard UK’s accumulated reserves measured under UK GAAP with its own funds eligible to meet its SCR and MCR.

Standard UK’s capital management objectives and processes are designed to align with Solvency II rules on the calibration of financial risks and measurement of own funds available to meet these financial risks. Information on objectives for managing capital in line with financial risks as measured on a Solvency II consistent basis is provided in Section 5 of Standard UK’s SFCR available on its website.

Financial Risks of Climate Change

Climate change, and society's response to it, presents many financial risks. Whilst the financial risk from climate change may crystallise in full over a longer time horizon, they are also becoming apparent now. After the PRA issued a supervisory statement in April 2019, Standard UK has considered the financial risks and the associated materiality. The financial implications are being assessed through scenario analysis, which builds upon an industry wide exercise being conducted by the UK regulator.

The impact of climate change is expected to increase the number and severity of severe weather events. This may lead to an increase in weather related claims (e.g. 'damage to cargo') but the industry is expected to adapt accordingly. Ships do not intentionally sail when there is extreme weather and are typically able to avoid it. Quality owners/operators should be able to prevent an increase in such liability claims. However, climate change may also cause turmoil in investment markets. The current scenario analysis assumes simultaneous market shocks (similar to approach in the PRA guidance) – interest rate shift, credit spread widening and fall in equities.

The Chief Risk Officer has been allocated the responsibility of managing the financial risks of climate change and their statement of responsibilities have been updated accordingly. These risks identified will be continually monitored across multiple sub-groups including:

- Finance
- Risk & Compliance

Regulators and forecasts

The managers continue to model stressed future scenarios to assess Standard UK's compliance with regulatory capital requirements in the context of the risk appetite determined by the board. The directors recognise that as the foreseeable scenarios change, decisions may need to be made in relation to the scale of Standard UK's activity and the level of capital maintained to support that activity.

Going concern

At the date of signing these financial statements, the directors' forecasts for the following 12 months indicate that Standard UK will be able to maintain liquidity and a surplus over its Solvency Capital requirement and will be able to continue to trade as a going concern. Even in severely stressed scenarios, the conservative investment portfolio held by Standard UK and the comprehensive reinsurance arrangements in place will limit the extent of any downside risk. The directors continue to monitor the position in case any stressed scenarios become more likely than is judged to be the case currently.

It is anticipated that Standard UK will renew its business into NorthStandard Ltd at 20 February 2024 and will go into run off. Standard UK has sufficient levels of surplus capital over its regulatory capital requirements to remain a going concern over the period of run-off. It also holds a claims handling provision to cover the residual costs of running off historical claims after passing 90% of claims handling and operational costs to its quota share reinsurer.

Standard UK does not believe the impact of the war in Ukraine will adversely affect its ability to operate as a going concern.

14. Claims outstanding

The board closed the 2020/21 policy year at its meeting on 24 May 2023. The table below provides the position after closure.

	2023 US$m	2022 US$m
Open years		
Claims	**104.6**	197.8
Reinsurance recoveries	**(95.9)**	(185.6)
Net claims provision for open years	**8.7**	12.2
Closed years		
Claims	**431.9**	351.0
Reinsurance recoveries	**(407.6)**	(329.9)
Net claims provision for closed years	**24.3**	21.1
Total		
Claims	**536.5**	548.8
Reinsurance recoveries	**(503.5)**	(515.5)
Net claims provision	**33.0**	33.3

Claims outstanding includes provision for IBNR claims which is set by reference to, amongst other factors, standard actuarial techniques and projections. The provision for gross IBNR at year-end is estimated at $71m (2022: $52m) and net IBNR at $7m (2022: $2m).

Also included in the provision for claims outstanding is an estimate for the internal and external costs of handling the outstanding claims.

The provision for outstanding claims estimated at $33.0m (2022: $33.3m) is net of any amounts recoverable arising out of subrogation or salvage.

14.1 Movement in insurance and reinsurance contracts

	2023 US$m	2022 US$m
Claims outstanding		
As at 21 Feb	548.8	597.2
Claims paid in the year	(99.3)	(155.3)
Exchange gains/(losses)	(0.6)	(0.9)
Changes to reserves	87.6	107.8
As at 20 Feb	536.5	548.8
Reinsurers' share of claims outstanding		
As at 21 Feb	(515.5)	(561.3)
Reinsurance recoveries made in the year	91.4	143.8
Exchange gains/(losses)	0.5	0.8
Changes to reserves in the year	(79.9)	(98.8)
As at 20 Feb	(503.5)	(515.5)
Total net liabilities	33.0	33.3
Unearned reinsurance premium		
As at 21 Feb	(17.5)	(14.5)
Reinsurance premiums earned in the year	17.5	14.5
Reinsurance premiums written in the year	(19.9)	(17.5)
As at 20 Feb	(19.9)	(17.5)
Total net liabilities & unearned reinsurance premium	**13.1**	15.8

14.2 Development claim tables

Claims (gross)											
Policy year	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Estimate of ultimate claims costs:											
- at end of policy year	312.1	309.8	304.2	205.4	197.9	359.3	149.9	180.8	116.8	80.6	
- one year later	344.1	271.5	267.1	184.0	199.0	450.1	143.7	192.7	113.4		
- two years later	383.9	248.0	270.5	171.9	188.3	455.4	142.3	201.0			
- three years later	485.3	264.7	251.4	169.6	191.2	455.1	149.1				
- four years later	463.1	255.7	250.5	178.5	186.5	457.3					
- five years later	397.4	243.7	255.6	172.6	190.4						
- six years later	398.9	243.6	256.2	173.5							
- seven years later	398.1	238.3	255.8								
- eight years later	392.1	237.1									
- nine years later	392.4										
Current estimate of ultimate claims costs	392.4	237.1	255.8	173.5	190.4	457.3	149.1	201.0	113.4	80.6	2,250.6
Cumulative payments to date	(387.7)	(217.8)	(241.6)	(161.6)	(159.3)	(334.9)	(96.5)	(70.6)	(65.1)	(24.3)	(1,759.4)
Liability recognised in the balance sheet	4.7	19.3	14.2	11.9	31.1	122.4	52.6	130.4	48.3	56.3	491.2
Provision in respect of prior years											45.3
Total provision included in the Statement of Financial Position											536.5

Claims (net)											
Policy year	**2013/14**	**2014/15**	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23**	**Total**
	US$m	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**	**US$m**
Estimate of ultimate claims costs:											
- at end of policy year	23.0	21.2	23.0	17.5	16.7	20.2	10.5	12.4	10.7	7.1	
- one year later	23.6	19.1	22.0	17.6	17.7	21.4	11.1	12.8	10.4		
- two years later	23.6	18.3	22.4	16.6	17.8	22.0	11.5	13.6			
- three years later	24.6	18.6	21.4	16.5	18.1	21.7	11.5				
- four years later	24.5	18.3	21.3	17.2	17.6	21.4					
- five years later	23.3	18.2	21.9	16.7	17.9						
- six years later	23.4	18.1	21.9	16.9							
- seven years later	23.5	17.6	21.9								
- eight years later	23.1	17.5									
- nine years later	23.2										
Current estimate of ultimate claims costs	23.2	17.5	21.9	16.9	17.9	21.4	11.5	13.6	10.4	7.1	161.4
Cumulative payments to date	(22.8)	(16.4)	(20.4)	(15.6)	(15.0)	(19.9)	(8.4)	(7.2)	(6.4)	(2.4)	(134.4)
Liability recognised in the balance sheet	0.4	1.1	1.5	1.3	2.9	1.5	3.1	6.4	4.0	4.7	27.0
Provision in respect of prior years											6.0
Total provision included in the Statement of Financial Position											33.0

14.3 Discounted Claims

The claims relating to asbestos related liabilities have been discounted as below.

	Discount rates		Mean term of liabilities	
	2023	2022	**2023**	2022
Asbestos related liabilities	**3.1%**	2.3%	**8.5 years**	8.4 years

The period that will elapse before claims are settled is determined using a statistical analysis of historical settlement patterns.

The claims provisions before discounting are as follows:

	Before discounting		Effect of discounting		Discounted provision	
	2023	2022	**2023**	2022	**2023**	2022
	US$m	US$m	**US$m**	US$m	**US$m**	US$m
Total claims provisions	**545.3**	**556.6**	**(8.8)**	**(7.8)**	**536.5**	**548.8**
Reinsurers share of claims provision	**(511.4)**	**(522.5)**	**7.9**	**7.0**	**(503.5)**	**(515.5)**
	33.9	**34.1**	**(0.9)**	**(0.8)**	**33.0**	**33.3**

The net impact in Standard UK's accounts of the applied discount is $(0.9)m (2022: $(0.8)m). The weighted average investment return on the long-term assets supporting the liabilities being discounted was 3.1% (2022: 2.3%).

15. Debtors arising out of direct insurance operations

	2023	2022
	US$m	US$m
Members	**34.6**	27.6
Intermediaries	**2.4**	0.2
Debtors arising out of direct insurance operations	**37.0**	27.8

Balances owed from intermediaries represent various claim recoveries and deductibles outstanding as at the year-end.

16. Reinsurance Debtors

Reinsurance debtors at the year-end amount to $5.6m (2022: $0.4m) and include recoveries on the Strike & Delay Stop Loss programme of $1.1m and a refund of reinsurance premiums paid relating to the P&I class non-pool programme of $3.6m.

17. Creditors arising out of direct insurance operations

	2023	2022
	US$m	US$m
Members	**3.9**	3.3
Intermediaries	**3.5**	6.3
Creditors arising out of direct insurance operations	**7.4**	9.6

18. Reinsurance creditors

Reinsurance creditors at the year-end amount to $36.7m (2022: $37.6m).

19. Other creditors including taxation

	2023 US$m	2022 US$m
Trade creditors	**0.1**	0.1
Other creditors	**0.1**	0.1
Other creditors including taxation	**0.2**	0.2

20. Rates of exchange

	2023	2022
The following rates of exchange were applicable to US$1 at 20 February 2023 (2022)		
Australian dollar	**1.46**	1.40
Bermudian dollar	**1.00**	1.00
Canadian dollar	**1.35**	1.27
Euro	**0.94**	0.88
Japanese yen	**134.42**	115.40
Singapore dollar	**1.34**	1.35
Swiss franc	**0.93**	0.92
UK pound	**0.83**	0.74

21. Dividends

No dividend was paid during the year (2022: $10m) and no dividends are proposed.

22. Ultimate parent undertaking

The directors previously regarded The Standard Club Ltd ("Standard Club"), a company registered in Bermuda, as the immediate and ultimate parent undertaking and ultimate controlling party. Copies of the consolidated financial statements of Standard Club can be obtained from its registered office: Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda or can be downloaded from www.north-standard.com.

Following the 20 February 2023 merger, the directors regard NorthStandard Limited as the ultimate parent undertaking and ultimate controlling party. Copies of its financial statements can be obtained from its registered office: 100, The Quayside, Newcastle upon Tyne NE1 3DU, United Kingdom, or can be downloaded from www.north-standard.com.

23. Related parties

Standard UK, which is limited by guarantee, has no share capital and all of its voting rights are held by The Standard Club Limited. Its insureds are all members of NorthStandard Limited, which is the ultimate parent undertaking of Standard UK given it is the sole shareholder of The Standard Club Limited). These insurance transactions are therefore with related parties and are the only transactions between Standard UK and the members. The aggregate of these transactions is disclosed in these financial statements.

Three of the directors are representatives or agents of insured member companies. Two are insurance expert non-executive directors. One is a senior representative of the management team. Other than the insurance and membership interest of the directors' companies, the directors have no financial interests in Standard UK.

24. Events after the balance sheet date

Merger and change of control

As disclosed in the directors report and note 20, immediately after the year end the Standard Club group and North group merged and formed the NorthStandard group. The merger was concluded by the North of England Protecting and Indemnity Association Limited ('NEPIA', the parent company of the North group) becoming the sole member of The Standard Club Limited (the parent company of Standard UK), and the former members of Standard Club becoming members of NEPIA. NEPIA changed its name to NorthStandard Limited with effect from 20 February 2023, and is now the ultimate parent undertaking of Standard UK. The merger doesn't impact the carrying value of the assets and liabilities reported in these financial statements.

OTHER INFORMATION

Company secretary
Standard Club Management (UK) Limited

Registered office of Standard UK
The Minster Building
21 Mincing Lane
London EC3R 7AG

Telephone +44 20 3320 8888

Email pandi.london@north-standard.com

www.north-standard.com

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