WEST

Report & Accounts

2020

Financial Highlights

Margin in Excess of AAA on S&P Capital Model $m
At 20 February

Capital remains in excess of S&P AAA rating levels

Combined ratio at
107.2%

Standard & Poor's
A-
rated security

Solvency coverage
233%

Investment return of
6.5%

Chairman's Statement

I had expected to begin my statement this year with a celebration of the Club's 150th anniversary since its founding in the small Devonshire port of Topsham in 1870 and to recognise yet another strong financial performance resulting in a record Free Reserve.

But instead, all of our business and personal lives have been dominated by the Coronavirus pandemic and the unprecedented times we are all currently living through.

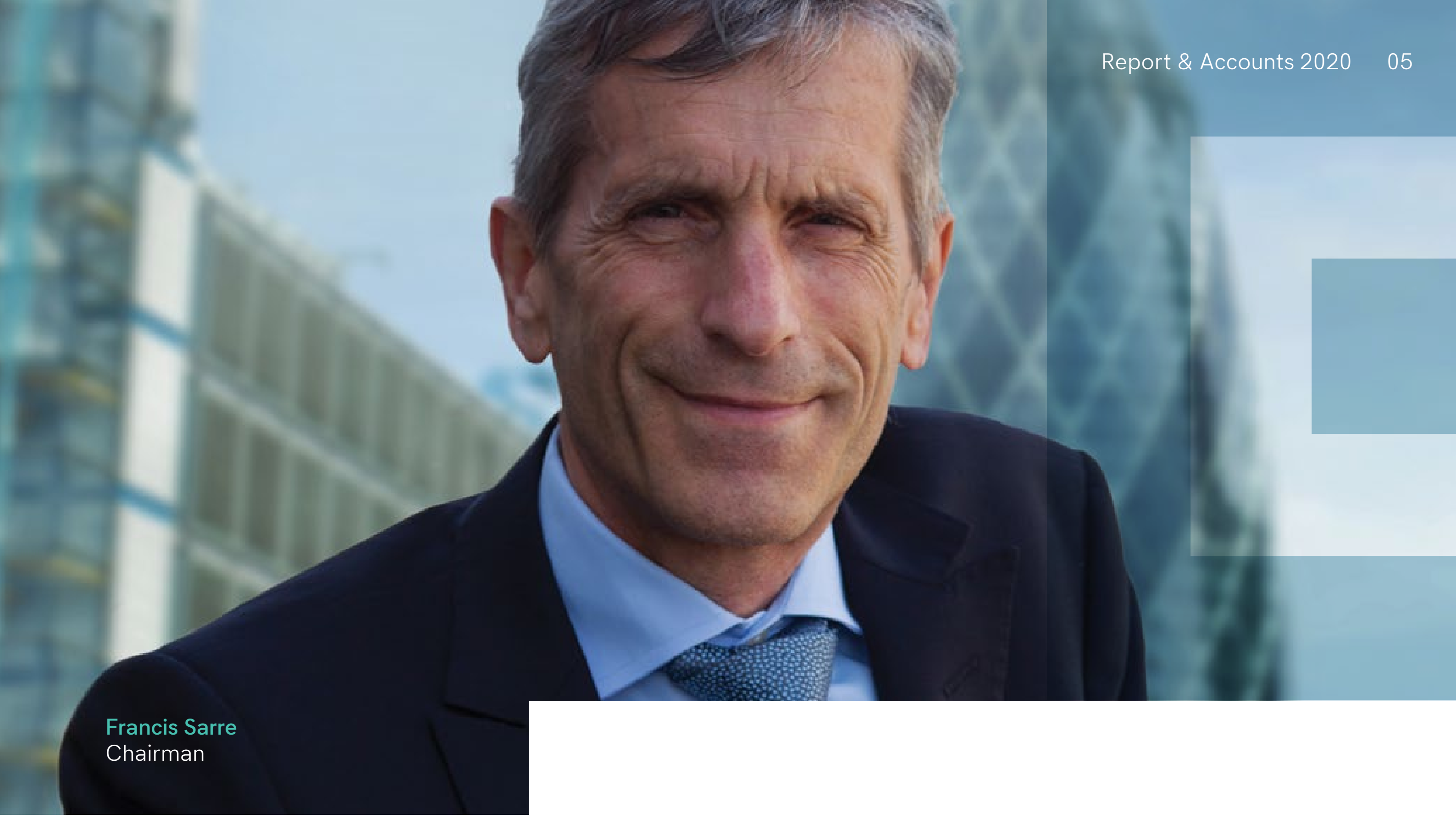
Our first concern must always be human health of course and I'm pleased to say that the Club was able to seamlessly move to remote working in all of our locations around the world in order to respond to governmental guidance and protect the health and welfare of our staff and their families. Our investment in robust business interruption procedures and technology systems has enabled the Managers to continue to provide a full service to our membership across all functions remotely and the Board has also had to adapt to this new way of working with meetings by video conferencing.

But just as important is the health of the seafarers on vessels across the world, who find themselves unable to disembark after completion of their duty period to return home to be with their families because of the restrictions on travel and movement imposed as a result of the pandemic. We as an industry must unite to call upon governments and regulators to treat seafarers as key workers that are essential to keeping the lifeblood of international trade flowing for the benefit of us all and allow them the earliest opportunity to return home safely.

The initiatives from the IMO and other industry bodies in this regard are very welcome and I am pleased to see the first signs of initiatives from some states to allow crew changes, but with seafarers now commonly marooned on board ships for what may be many months beyond their contractual period there are obvious concerns about mental health. The Club has responded by publishing a number of articles and guides on this important but too often ignored subject and we are also actively supporting charities such as the Sailors' Society in their outstanding work in this area.

Covid-19 and the devastating economic effects of the lockdown around the world have also severely impacted financial markets during the first part of 2020 but thankfully the Club is exceptionally capitalised after another strong financial result last year and consequently well placed to withstand the market turmoil to-date and the uncertainties which lie ahead. I am pleased to report that the Club's Free Reserve increased to a record $338.1m and our renewed A- rating reflects continuing exceptionally strong capitalisation. The investment performance prior to the onset of the Coronavirus exceeded expectations from the conservative investment allocation strategy set by our Board, with a return for the year of 6.5%. The benefits of this investment strategy are reflected in our subsequent ability to withstand the highly volatile financial climate caused by the pandemic during the first part of the current policy year.

The performance of our Members' own claims thankfully returned to forecast levels during 2019 following the abnormally high occurrence of particularly high value claims in the preceding two years but the picture was not as positive for other Clubs' Pool claims, with both a higher number of notifications and increased individual claim values seen throughout the year. There is no doubt that the magnitude of the largest claims within the system continues to grow and this is the primary reason that our combined ratio of 107% - whilst very positive when compared to many others - remains above the long term target set by the Board. We have made it very clear as a Club that premiums must ultimately match exposure and if these large and expensive claims continue, the price ship owners pay for their insurance cover must inevitably also rise



Francis Sarre
Chairman

commensurately. The recent renewal hopefully showed that this collective realisation is beginning to dawn.

This year has also seen the benefits of our diversification programme begin to emerge. We have been consistently clear that there is little merit in investing in activities or sectors where there is limited benefit to our Members or which puts the Club's capital at risk. The Managers and your Board have instead sought out strategic investments and joint ventures with experienced and knowledgeable partners and which, crucially, provide our Members and others with access to a range of products and services which complement the Club's core offerings. The aim is to support ship owners and other operators throughout the voyage lifecycle of a ship and to help them manage the wider risks and operational issues they face. Our ventures with Astaara in cyber security, Nordic Marine Insurance for primary delay cover and the striking new Qwest brand to represent our collaboration with C Solutions to provide a broad range of innovative services, when combined with the continued emphasis on our Fixed, Offshore and Defence products, all combine to position the Club as not just an insurer but as a leading provider of services to the maritime industry. We will continue to look at further opportunities to broaden the Club's product offering as we adapt to the changing operating and regulatory environment, however this will always be done with the objective of adding value to our Members and partners.

This strategic approach and our absolute commitment to providing the higher levels of service throughout everything we do has been reflected in continued loyalty amongst current Members and increased applications from new fleets to join. We will remain very selective when welcoming new Members into the Club but I am delighted to say that our entered mutual tonnage exceeded 100m GT for the first time in our 150th year, both milestones in themselves of which I believe we should be very proud.

But we must not rest on our laurels. Whilst it is gratifying to see the Club in such robust financial health and with a strong brand of products and services to support its Members, we should continue to embrace the entrepreneurial spirit of our founder John Bagwell Holman and continually search for ways to serve the shipping industry. This also means acting collectively with other Clubs to ensure that the combined purchasing power, knowledge and experience of all the International Groups Clubs are fully leveraged for the benefit of our industry. Your Club will therefore continue to play a leading role within the IG in support of its ethos of being "collectively stronger".

During the year we were pleased to welcome Olivia Lennox-King, Dimitra Dandolos, Lisa-Marie Perrella and Kim Chalmer to the Advisory Committee. I would like to thank all the members of the Advisory Committee whose valued opinions and advices play an such an important role in advising the Board.

I must finally thank the Managers and my colleagues on the Luxembourg Board for all their hard work and wise counsel throughout the last year. I am especially grateful to Tom and his team for bringing the diversification streams to fruition and to all our staff for their continued dedication and service through the very challenging circumstances the pandemic has thrust upon us. We all look forward to emerging back out into a more normal world again as soon as we can but until then I hope that you and your families remain safe and well.

Francis Sarre
Chairman

Managers' Review

The Club's Free Reserve increased by over 10% to $338.1m and consequently the capital strength of the Club remains extremely strong under all measures.

The increase in Free Reserve was driven mainly by an exceptional investment return of 6.5% with the Club's conservative strategic allocation generating a return in excess of expectations. The Club's operating performance markedly improved and, in summary, the year showed a $31.7 million surplus, consisting of a much-reduced overall underwriting deficit of $13.2 million and a net investment return, after tax and revaluations, of $44.9 million.

The details are set out in the Financial Statements on pages 32 to 54.

Tom Bowsher
Group CEO

Capital and Rating Strength

The Club's solvency coverage as measured under Solvency II reached its highest ever level at 20 February 2019 following the decision taken by the Board to dispose of Tower Bridge Court and to reinvest the proceeds into more diversified and capital efficient real estate and infrastructure funds and this level of solvency coverage has been maintained in the current year.

Standard and Poor's again re-affirmed the Club's A- rating in December 2019 reflecting their view that the Club will sustain its "extremely strong" level of capitalisation and the margin in excess of their "AAA" capital requirement, a strategic threshold targeted by our Board, also increased.

Standard & Poor's

A-

rated security

233%

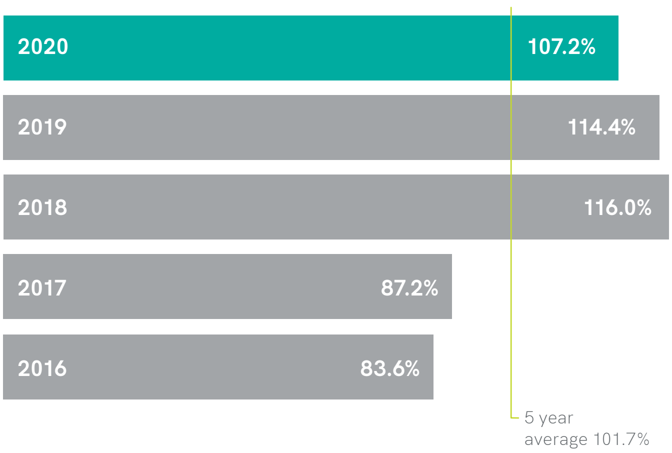
SCR coverage

Free Reserves $m

At 20 February

Combined Ratio

Year to 20 February



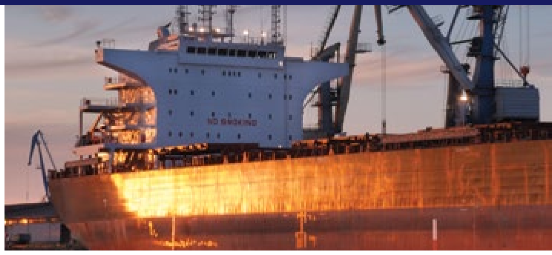
Underwriting Result

The Club's $13 million underwriting deficit gives rise to a combined ratio of 107%. Although significantly better than the preceding two years, the combined ratio of 107% is still higher than the Board's medium-term target of better than 100%. The average combined ratio of the last five years is 101.7% but the results of the last three years demonstrate that premium rates need to increase if operating results are to return to a positive position.

Members' Claims

Members' claims have generally run-off favourably in recent years and this has again been the case in the year-ending 20 February 2020. Policy Year 2018, particularly, developed better than was projected at this time last year and it is pleasing to report that the incurred cost is now some USD 25m better than Policy Year 2017 at the same stage. This development contributed positively to the operating result.

Policy Year 2019 also developed within expectations for its first 12 months. At the 12 month point Policy Year 2019 has a net incurred claims cost of USD 97.8m compared to USD 108.2m and USD 123.3m in the preceding two years.



Managers' Review (continued)

The net incurred claims cost for incidents up to $500k in value on our P&I Owned mutual class, which represent 99.5% of the claims received by the Club, continue to be predicted with reasonable certainty. Claims in the next band, $0.5m to $5m, exhibit more volatility and Policy Year 2019 experienced a higher than average claims cost in this band.

However, what drives the discernible improvement in claims performance in Policy Year 2019 compared to the two preceding years, is that in Policy Years 2017 and 2018 the Club experienced an abnormal and unforeseen level of large losses and in the 2019 this returned to a level around the historical average. In Policy Year 2019, two claims in excess of $5m in cost have been recorded at the 12 month point and by contrast, Policy Year 2017 had suffered seven claims and Policy Year 2018 five claims at the same point in time.

While the Club purchases reinsurance to minimise the volatility from deviant large claims losses, it is nevertheless clear from the two claims charts the impact that large loss claims experience has on the net incurred claims cost of any Policy Year.

Other Clubs' Pool claims

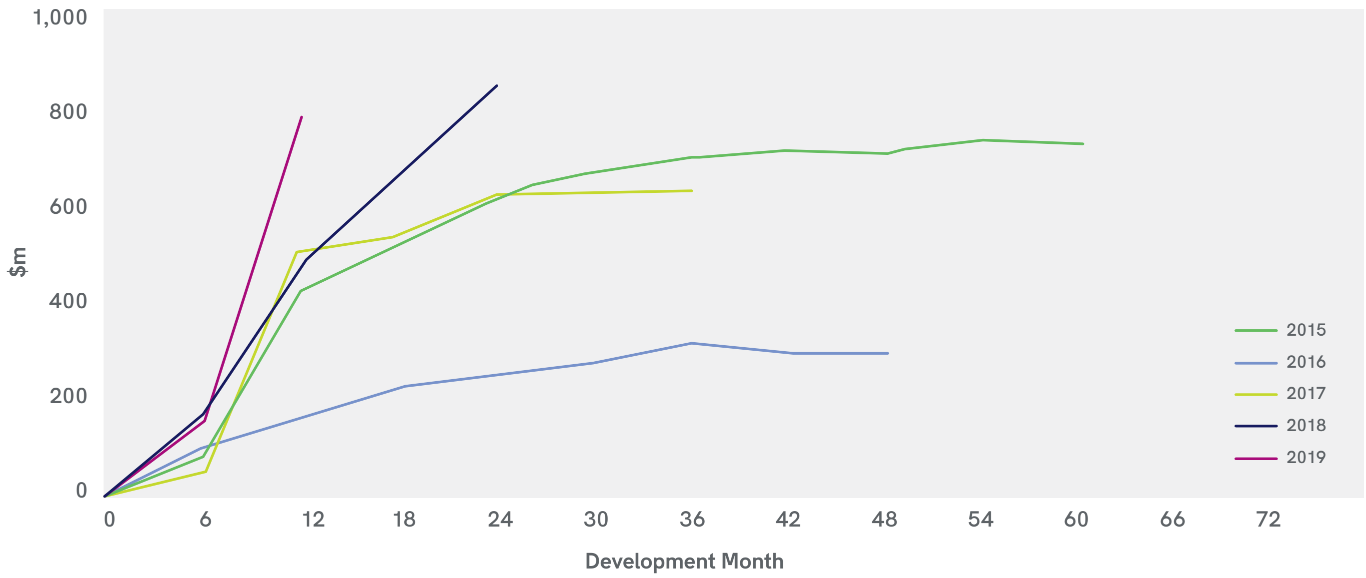
The Club continues to benefit from a positive loss record on the Pool which reduces the contribution it has to pay towards other Clubs' claims but the last two years have seen an increase in the number of claims notified to the Pool which has led to an increased claims cost across the International Group and ultimately towards the Club's share of these.

Policy Year 2019 also saw the second largest claim notified to the International Group, the Golden Ray, and our Club's share of this claim represents half of the incurred cost recorded at the 12 month stage. Pool claims are more volatile in their nature and consequently, the Club takes a prudent approach to reserving for these and now holds more IBNR for other Clubs' Pool claims than it does for its own Members' claims.

Development of Members' Net Incurred Claims
Policy Years 2015 to 2019

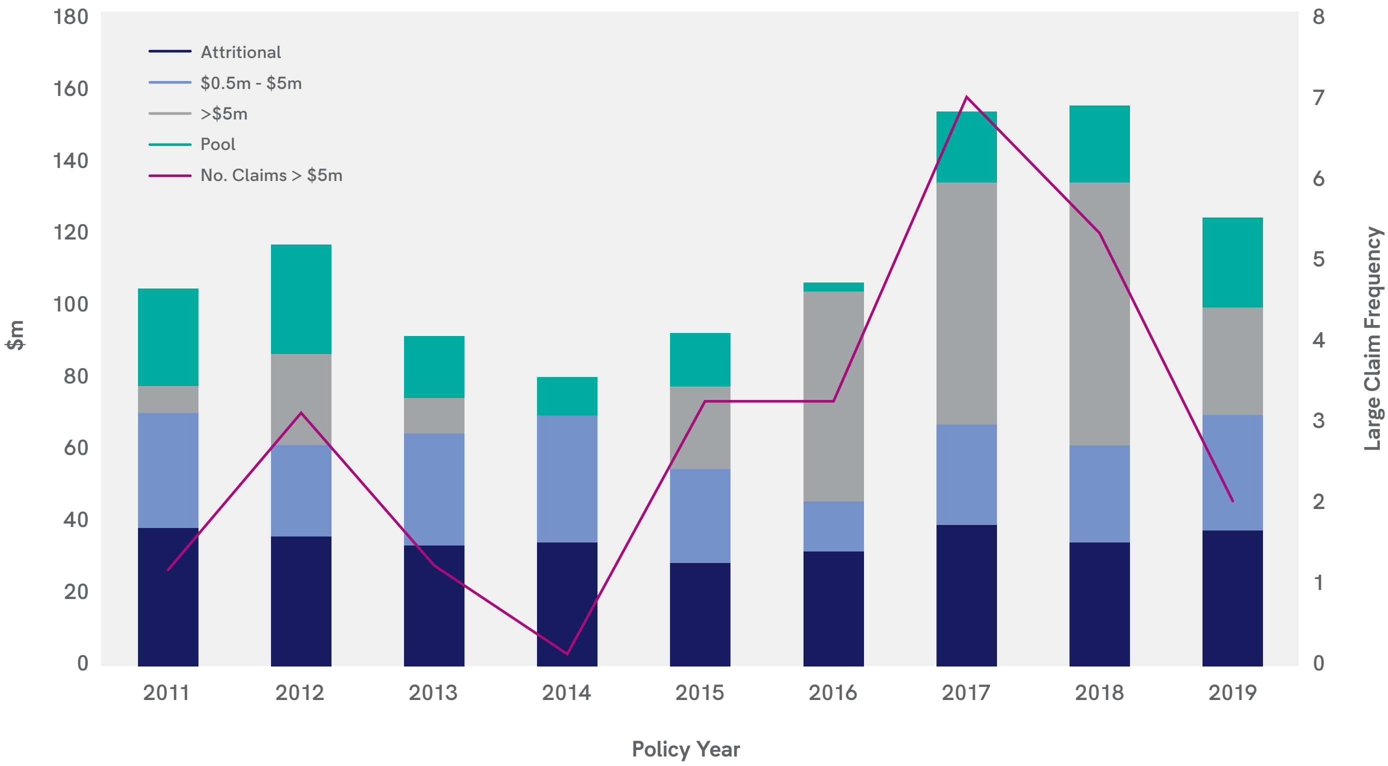
International Group Pool Claims Development – Gross Incurred

Policy Years 2015 to 2019



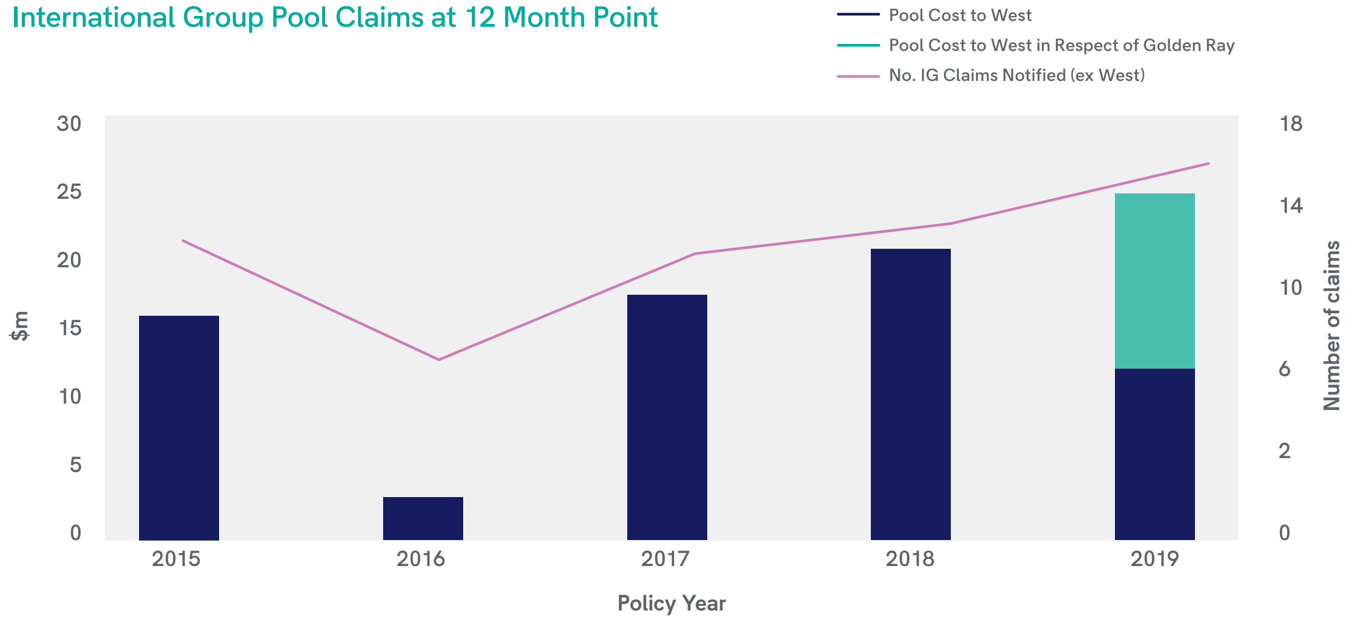
P&I Owned Gross Incurred Claims at 12 months

Developed - Attritional Vs Large



Managers' Review (continued)

International Group Pool Claims at 12 Month Point



Reinsurance

Large claims are fortuitous and inherently difficult to predict so it remains vital that the Club's claims continue to be underpinned by comprehensive reinsurance arrangements to mitigate the effects of extreme volatility in the underwriting result. Integral to this is the International Group Pool and Excess of Loss reinsurance programme which is illustrated in the chart on page 11 and the Golden Ray is a perfect example of a claim that has benefitted from the strength of these reinsurance arrangements. Following the structural changes made in 2019/20 year, no significant changes were made this year. The two expiring 5% private placements in the USD 1 billion excess of USD 100 million layer were replaced by two new 10% multi-year private placements in the first layer. There are therefore three 10% private placements for the 2020/21 policy year, with the remaining 70% balance placed in the reinsurance market.

The Club also places reinsurance for claims within its own retention and made significant changes to the structure for Policy Year 2019 resulting in a more comprehensive reinsurance programme. A long-term approach is fundamental to the Club's reinsurance buying strategy both in terms of the structure and our reinsurance partners so limited changes were made to either for Policy Year 2020.

Investments

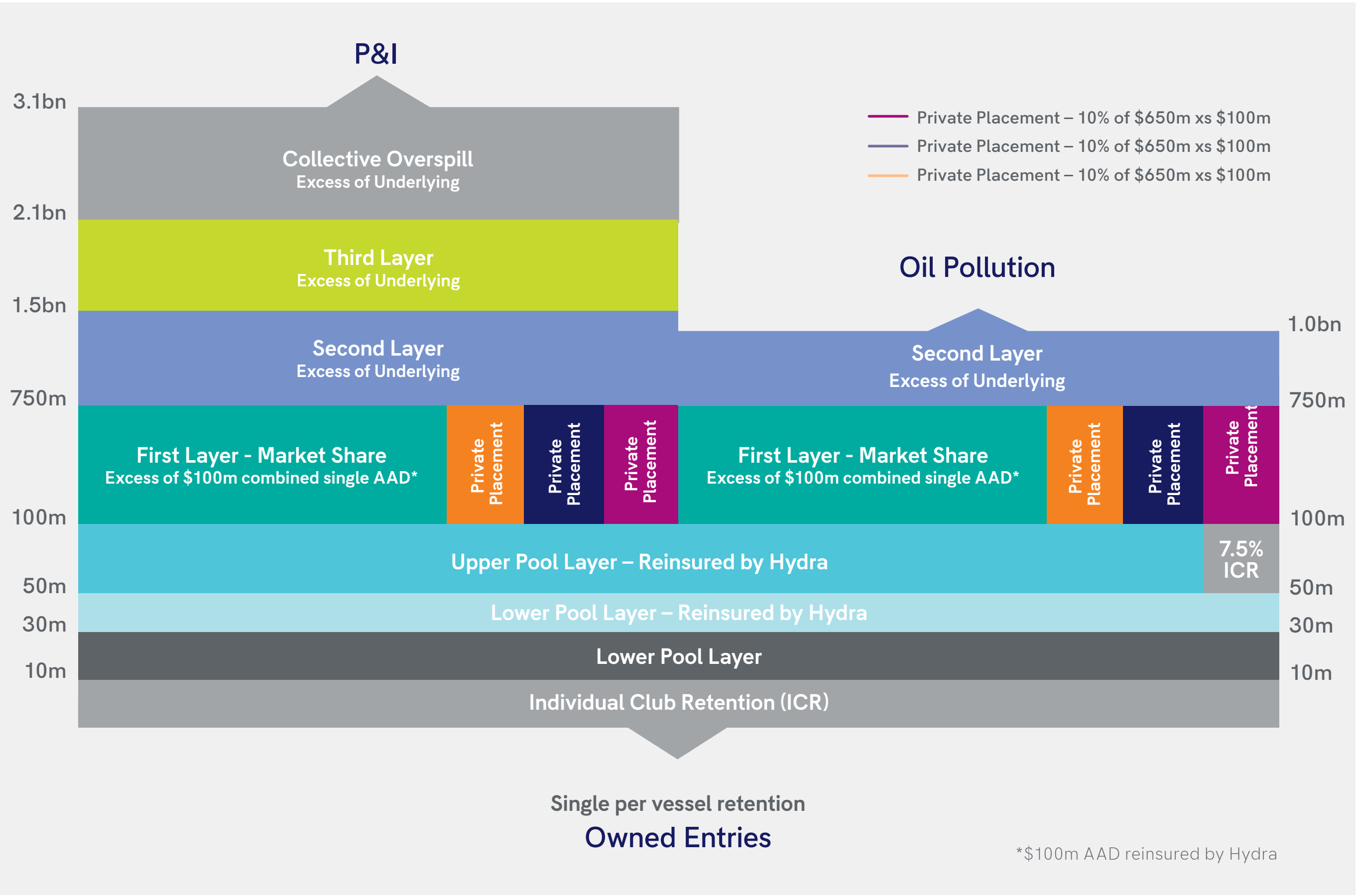
The Club's asset allocation remained broadly unchanged over the period with the Board retaining their low appetite for investment risk.

All asset classes performed well and the investment return for the year was a very strong 6.5%. This was the highest investment return since 2011 and continues a period of greater than ten years where the Club has earned a positive investment return for its Members.

Bonds, which are held primarily in the Liquidity Matching Portfolio but also the Growth Portfolio, returned more than 7%, supported by the decrease in U.S. interest rates across all maturities and tightening corporate credit spreads. Overall credit quality of bonds remained very strong due to the conservative guidelines set by our Board. The liquid component of the Growth Portfolio, exposed to a broad range of listed assets, returned some 11% with global equity holdings (c. 10% of the overall Investment Portfolio) returning 17%. The private assets component of the Growth Portfolio (c. 5% of the Investment Portfolio), invested in global real estate, global infrastructure and more recently private debt returned a strong 7%, benefiting from growing investors' appetite in a "lower for longer" yield environment.

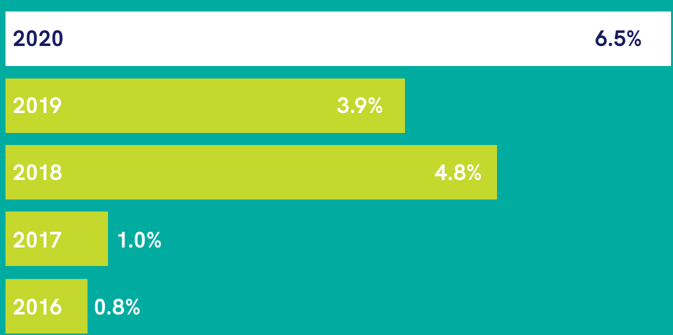
Group Excess of Loss Reinsurance Programme

Policy Year 2020



Investment Return

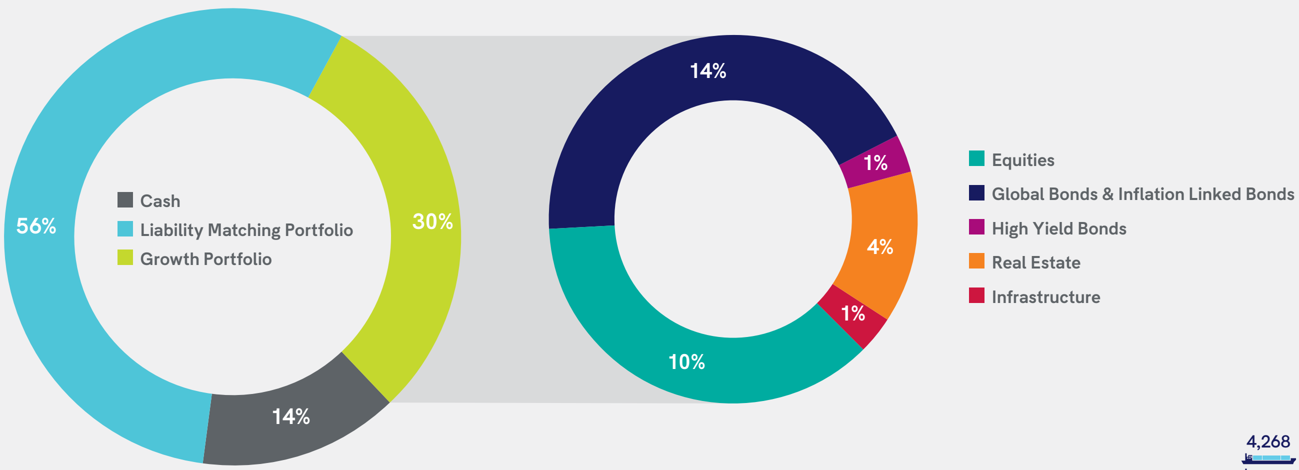
Year to 20 February



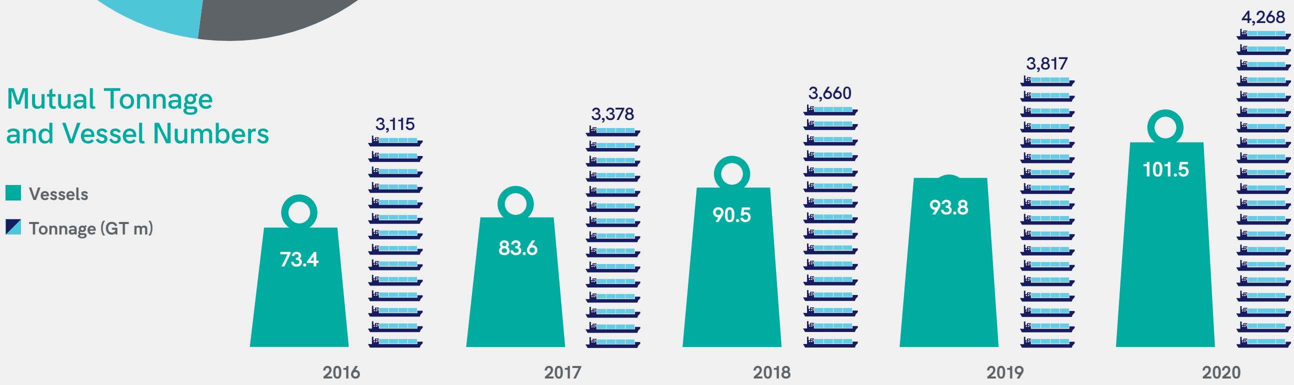
Managers' Review (continued)

Asset Allocation

At 20 February 2020



Mutual Tonnage and Vessel Numbers



Renewals

The continued focus of the Managers is to maintain the exceptional service levels to meet the growing needs of our Members however, it has been clear for some time that premiums have been at an unsustainably low level to meet the increased claims costs experienced throughout the industry.

However, whilst rates across the whole market need to increase, the Club's approach to renewal focussed on redressing rates for Members with adverse records and an overall increase in premium was achieved. At the same time there was increased support from both new and existing Members which has led to an increase in the Club's mutual entry to in excess of GT 100m for the first time.

Looking forward

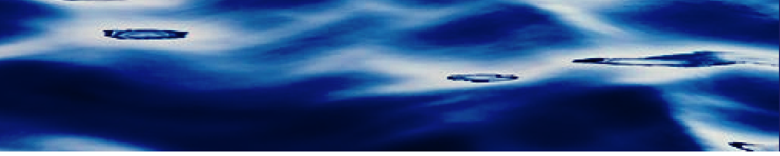
The start of the 2020 policy year has of course been dominated by the Covid-19 pandemic. Robust business interruption procedures and IT systems have however allowed the Club to continue functioning seamlessly and the Managers are able to deliver the full spectrum of services to its Members.

Significant specialist materials, advice and support have been provided to our membership to help them deal with the effects of Coronavirus on their operations and especially around the issues of crew welfare. Difficulties with crew changes remain and many seafarers are being asked to serve on ships long after the expiration of their contractual terms.

The Managers will continue to work together with the International Group and other industry bodies to find solutions to these issues.

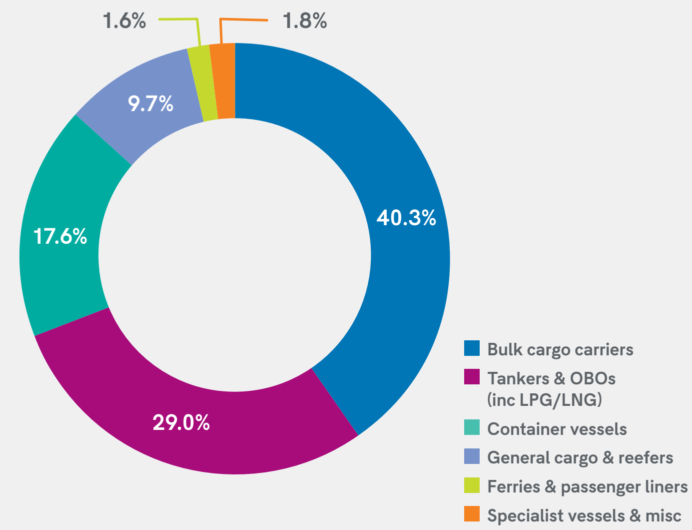
Elsewhere, the strong capital position, high liquidity of the balance sheet and prudent investment strategy allowed the Club's investments to mitigate losses and recover quickly from the challenges of the market crisis in March 2020 caused by the pandemic.

In this the 150th year of its operation, the Club remains cognisant of the need to continue to support our Members and the wider maritime community in their operations. The management company is a wholly owned subsidiary of the Club



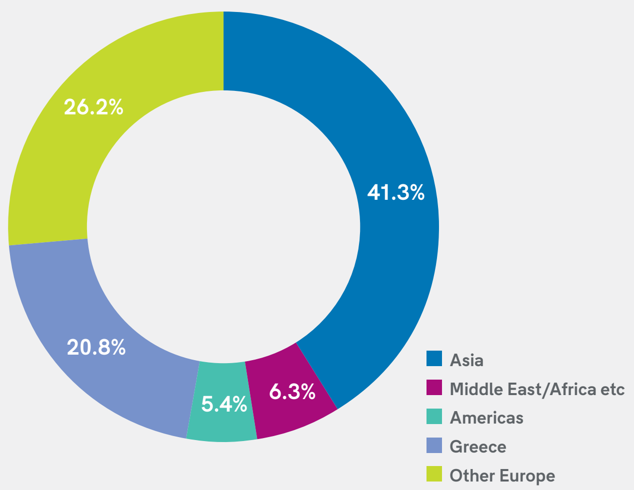
Entered Tonnage by Vessel Type %

Policy Year 2020



Entered Tonnage by Area of Management %

Policy Year 2020

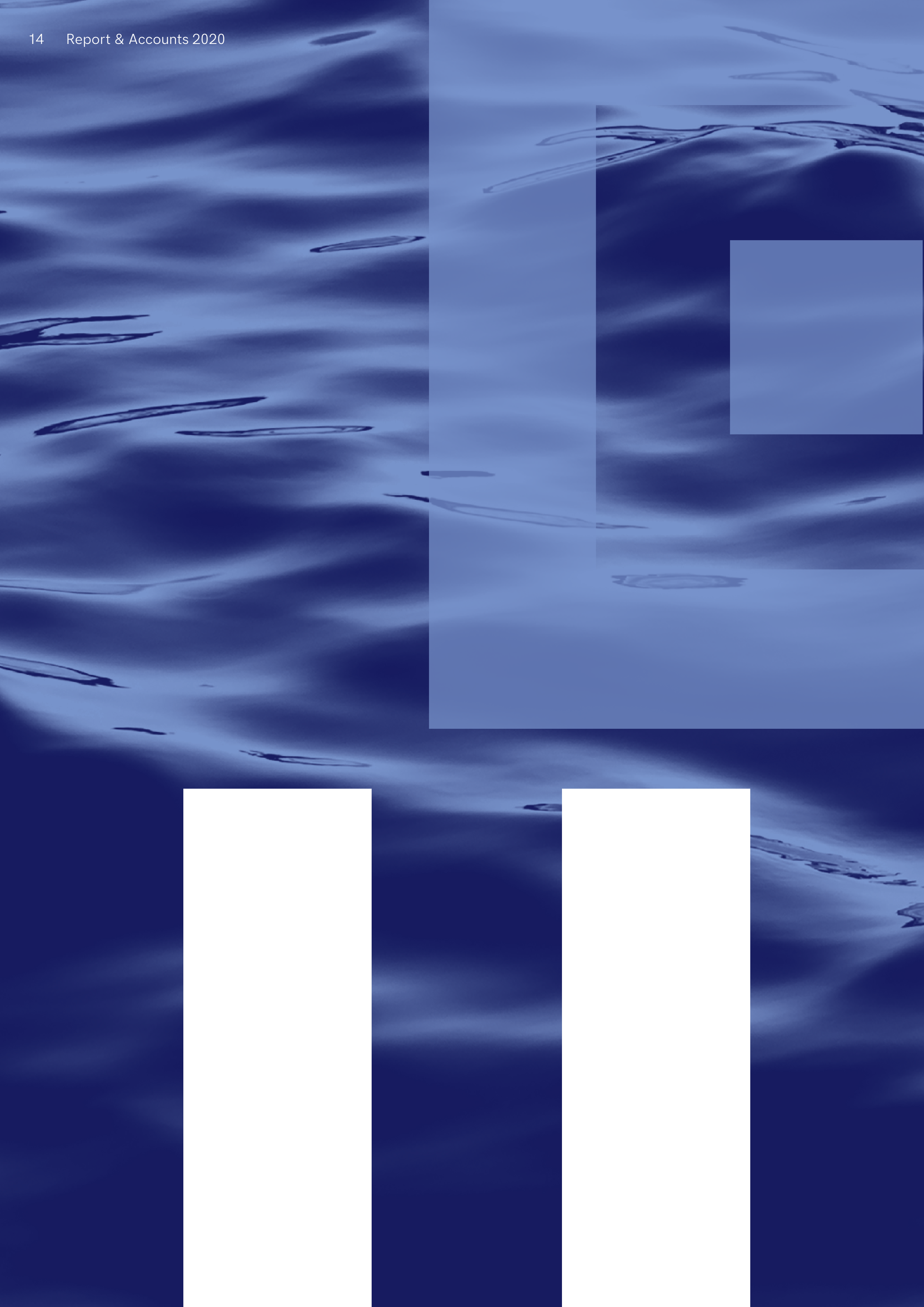


meaning that its interests are fully aligned with the Board's and strategic decisions are taken with a view to enhancing the service provided to its Membership and insulating the balance sheet from volatility.

The Board has consequently chosen to deploy capital in strengthening resources and investing in new initiatives that expand the product offering of the Club. Rather than exposing the Members' capital to the vagaries of market segments where competition is high and potential returns commensurately low, the Board has instead followed a clear path of entering into strategic alliances with experienced and knowledgeable partners to be able to deliver a growing portfolio of products and services to operators which are complementary to the Club's own core products. This has seen investments made in specialist provider Nordic Marine Insurance and cyber consultancy Astaara, as well as the joint venture with C Solutions and Qwest Maritime.

There have also been investments in expanding our Loss Prevention services with additional resources added to this vital function and new digital platforms have been launched enhancing the online interaction between the Club and its Members. A revised version of the Club's extranet system WestNet provides greater access to Members' data and documentation, whilst a brand new and market-leading information system enables Members to access a wealth of geospatial and other data that delivers superior situational awareness around their vessels' intended voyages.

This year has seen the implementation of the IMO's new regulations on the burning of low sulphur fuel in order to lessen the impact of the shipping industry on emissions and global warming. This is just one aspect of the increasing concentration on sustainability across all businesses and the Managers will be developing a comprehensive framework during the course of the year to align the Club's operations with industry and global sustainability standards. There will be a particular focus on decarbonisation in the shipping industry and the Club aims to be help lead the debate on the insurance and liability implications of shipowners moving away from fossil fuels to more sustainable methods of powering ships.



Consolidated Accounts and Report of the Reviseur d'Entreprises Agree


NO SMOKING

Contents

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg) will be held at 31, Grand-Rue, L-1661 Luxembourg on 12 June 2020 at 13:00 hours for the following purposes:

1. To approve the Report of the Directors and the Consolidated Accounts for the year ended 20 February 2020 and to grant discharge to the Directors and Auditor for the year under review.

2. To elect Directors and appoint Advisory Committee members.

3. To reappoint Deloitte Audit Société à responsabilité limitée as Auditor of the Association and to fix their remuneration.

4. To transact any other ordinary business of the Association.

By order of the Board

T Brevet
Secretary

31 Grand-Rue
L-1661 Luxembourg

12 May 2020

Note: A Member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a Member of the Association. The instrument appointing a proxy shall be left with the Secretary not later than 48 hours before the holding of the Meeting.

General Information

Directors

F G Sarre (Chairman)	Antwerp
K S Rajvanshy (Vice-Chairman)	Hong Kong
B Aagaard-Svendsen	Copenhagen
A M Cameron	Cork
P G De Brabandere	Antwerp
A K Hazari	Hong Kong
S C Ioannou	Athens
A M W Staring	Antwerp

Advisory Committee Members

A M W Staring (Chairman)	Antwerp
V Bacolitsas	Athens
K S Bitnes	Oslo
L Cadji	London
A M Cameron	Cork
K Chalmer	Copenhagen
D P Dandolos	Athens
S G Gilbert	London
O Lennox-King	Hong Kong
T Mazarakis	New York
P Philis	Limassol
L M Perrella	Montreal
S Popravko	Limassol
T Tokgoz	Istanbul
E S Yordanov	Varna

Managers

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London EC3A 5AF
United Kingdom

Telephone: +(44) (0)20 7716 6000
E-mail: mail@westpandi.com

Secretary and Principal Office

T Brevet
31 Grand-Rue
L-1661 Luxembourg

Telephone: +(352) 4700671

Registered Number

R.C.S. Luxembourg B 8963

Auditor

Deloitte Audit Société à responsabilité limitée
Cabinet de révision agréé
20 Boulevard de Kockelscheuer,
L-1821 Luxembourg

Telephone: +(352) 451451

Report of the Directors

The Directors have pleasure in presenting their report together with the audited consolidated accounts of The West of England Ship Owners Mutual Insurance Association (Luxembourg) and its subsidiaries (collectively "the Association" or "the Group") for the year ended 20 February 2020.

Activities

The principal activity of the Association continues to be the insurance and reinsurance of Members' protection and indemnity risks (Class 1) and freight, demurrage and defence risks (Class 2).

In addition to its Head Office in Luxembourg, the Association has branches in London, Hong Kong and Singapore and representative offices in Piraeus and New York. Through this structure and its world-wide network of correspondent offices, the Association supports its business activities on behalf of its diversified and global Membership of ship owners and charterers.

The Association's two wholly owned subsidiaries, International Shipowners Reinsurance Company S.A. and The West of England Reinsurance (Hamilton) Limited (registered and domiciled in Luxembourg and Bermuda respectively), have continued to provide reinsurance of the Association.

West of England Insurance Services (Luxembourg) S.A., which is wholly owned by the Association, provides insurance-related management and claims handling services for the Association. West of England Insurance Services (Luxembourg) S.A. wholly owns West of England (Hellas) Limited, West of England Insurance Services (North America) Inc. and West of England Claims Services (North America) Inc..

The West of England Ship Owners Insurance Services Limited, which is wholly owned by the Association, previously acted as landlord to its tenant companies until the sale of its premises in London in July 2018 and is now effectively dormant.

The Association is one of the members of the International Group of P&I Clubs (the "IG") who combine to pool risks and share reinsurance in providing cover to a majority of the world's merchant fleet. The Association, along with the other members of the IG, has established a 'segregated cell' insurance company, Hydra Insurance Company Ltd. registered and domiciled in Bermuda, to reinsure certain pool and quota share risks. The Association has contributed share capital to Hydra, and share capital and contributed surplus to the Hydra West of England Cell which is wholly owned by the Association and, during the year, participated in reinsurance activities.

The Association does not perform any research and development activity.

Report of the Directors (continued)

Future Developments and Events since the Balance Sheet Date

The Association has evaluated the period after the balance sheet date up to and including 12 May 2020, the date the consolidated accounts were approved by the Board, and discloses that it has entered into an agreement to purchase 44.48% of Nordisk Marinforskaring AB (Nordic Marine Insurance) subject to the approval of the Swedish Financial Authority, Finansinspektionen.

Since the date of these Consolidated Accounts and following the unparalleled development of the Covid-19 outbreak and the unprecedented responses by governments worldwide, the Directors and the staff of the Group (the "Managers") have been focusing on ensuring the safety of the Association's staff across multiple offices and the continuity of service to our Members. The Managers successfully deployed the Association's business continuity plan, allowing all staff to work remotely with immediate effect and with no disruption to the service provided to the Membership and in compliance with local administrative guidelines.

Our Members are inevitably impacted by the consequent slowdown in global trade and it is particularly important that the Club is as supportive as possible during this exceptional time. When preparing these Consolidated Accounts we have assessed the impact on Gross premium written of a potential increased volume of vessels being laid up and subsequent premium returns and the potential non-recovery of Member debtors and have concluded that sufficient provision has been made at 20 February 2020.

We have also re-assessed the strength of the security provided by the Association's reinsurance partners and concluded that no adjustment is required to the Reinsurers' share of technical provisions and Reinsurance debtors.

Looking forward, for the year ending 20 February 2021, it is likely that certain Members will need to lay up their vessels for a prolonged period but it has been assessed that this will not lead to a Gross written premium reduction in excess of 10%. Furthermore, the Board do not consider that this will lead to a material impact on the prospective operating performance of the Association because the likelihood, as with prior global economic recessions, is that there will be a corresponding reduction in net incurred claims cost.

Financial markets world-wide are facing on-going volatility in the wake of the pandemic and the Directors and the Managers have been monitoring the impact of this volatility on the Association's financial strength and liquidity daily. The Association has maintained a conservative investment strategy for a number of years and this strategy, driven by the objective of mitigating the downside risk of returns, preserving our Members' capital and Club's solvency position as well as overall liquidity, has ensured extreme market movements, such as those experienced in March 2020, can be absorbed without unduly impacting the Association's capital and liquidity positions.

The Directors and the Managers are firmly committed to addressing the future developments of the pandemic and its potential impact on the Association's operations and financial strength and supporting our Membership will be at the forefront of our approach.

Risk Management

Luxembourg law requires disclosure, where material, of the risk management objectives and policy of the Association.

The Association's overall appetite for accepting and managing different types of risk is defined by the Board, which has developed a three-lines of defence governance framework and policies and procedures to identify, manage, mitigate and report risk. Key risks have been documented in a dedicated register and responsibility for each of them allocated to a responsible risk holder at senior management level under the coordination of a Risk Manager. A tolerance has been set by the Board against each risk. This framework is designed to protect the Association's Members and other stakeholders from events that may prevent it from meeting its contractual obligations or financial and business objectives. Risk tolerances and related risk appetites are reviewed regularly and reporting of actual exposure or performance against them is reported to the Association's Group Audit & Risk Committee at every meeting. The Association annually conducts an Own Risk and Solvency Assessment as part of its Business Plan, Medium Term Capital Management and Risk Management processes. It includes a forward-looking assessment of the Association's capital and solvency position within the framework of the Business Plan and Financial Forecast, ensuring the on-going financial resilience of the Association and the key entities across the group.

The Board oversees the development and operational implementation of these policies and procedures. It ensures on-going compliance with them through the Group Audit & Risk Committee. The Board also relies on the Internal Audit function which operates independently under clear terms of reference and with a direct reporting line to the Group Audit & Risk Committee and a direct reporting line to the Board.

The main sources of risk to the Association's operations and its financial position are:

a) Insurance risk

Insurance risk arises from uncertainty as to the occurrence, amount and timing of insured claims and liabilities. Insurance risk is sub-divided into Underwriting, Reserving and Reinsurance risks.

i. Underwriting risk

The underwriting objective of the Association is to charge premiums that reflect the risks it insures. The principal risk for any insurer is that the frequency and value of insured losses exceed expectations.

The Board sets an underwriting strategy which determines how the Association accepts and manages new and renewing insured risks. This strategy ensures that insured risks are diversified, for example by vessel type and geographical area, to ensure a sufficiently large and diverse population to reduce the variability of the expected outcome of insured losses.

Underwriting risk is considered both at individual fleet level and from a portfolio management perspective, where insured risks are assessed in the light of historical experience and future exposure. To assist the process of pricing and managing underwriting risk the Managers routinely perform a range of activities including:

- Documenting, monitoring and reporting on the Association's strategy to manage risk;
- Monitoring legal developments and amending the terms of entry when necessary;
- Developing processes that take account of market or economic factors in the pricing process.

The Association's insurance contracts include terms that operate to contain losses, such as deductibles being matched to the risk profile.

The Association's pricing strategy considers the historic and future value and frequency of claims, adjusted for inflation, changes in claims patterns and external economic factors. Pricing is carried out within the Club's internal pricing framework which considers indicative rates based on internal (such as claims record and risk factors) and external (market and economic factors) data and actuarial analysis.

ii. Reserving risk

This is the risk of claims in the balance sheet being understated, i.e. the risk that reserves are inadequate due to the inherent uncertainty of knowing the ultimate cost, frequency and timing of liabilities incurred, including the provision made for claims that have not so far been notified (incurred but not reported claims).

Members are insured on a losses occurring basis. Review and reporting controls operate so that estimates are established and maintained, reflecting the Association's current best estimate of the likely outcome for each claim. The Association has established clear and stringent estimating guidelines backed by a programme of consistent training to ensure they are applied uniformly. In addition, the Association takes advice from an independent actuary who uses established statistical techniques and applies knowledge, experience and judgement to estimate the most likely overall outcome of liabilities. In this way appropriate reserves are determined to meet claims as they fall due.

iii. Reinsurance risk

Reinsurance risk is the risk that the reinsurance purchased by the Association does not respond as intended by reason, for example, of a mismatch with gross losses, counterparty risk or exhaustion of reinsured limits.

Reinsurance reduces claims volatility. As a member of the IG, the Association benefits from its pooling and reinsurance cover for individual claims. For Policy Year 2020 this reinsurance covers claims from $10 million to $3.1 billion. This programme is the Association's primary reinsurance protection, above which the IG's "overspill" arrangements apply. For retained claims outside the IG programme, the Association has appointed a leading reinsurance broker and uses modelling techniques to identify where reinsurance will be most effective and additional reinsurance protection is purchased.

Report of the Directors (continued)

b) Financial risk

The Association is exposed to a range of financial risks which can be sub-divided into the risks below.

i. Capital management

The Association seeks to maintain financial strength and capital adequacy to support its business whilst retaining financial flexibility through appropriate levels of liquidity. It assesses its risk-based capital requirements and maintains an efficient capital structure consistent with its risk profile and business requirements as well as with regulatory requirements. To do this, the Association monitors its capital position against regulatory and rating agency models.

The Association is exposed to financial risk through its financial assets and liabilities (i.e. both market and liability matching risks) and through technical assets and liabilities such as reinsurance and Members' claims. Financial assets represent a significant proportion of the Association's assets. The Association holds and invests them to fund obligations arising from its insurance activities.

The Association's key investment risk is that its financial assets together with investment returns generated by them are insufficient to fund its liabilities arising from its insurance and investment operations and do not enable it to maintain adequate operational solvency or the required solvency margin for compliance purposes. The Association's Statement of Investment Principles (SIP) and Investment Policy (IP) reflect the investment risk tolerance set by the Board and are reviewed at least once a year. They define the management of the investment portfolio within the Association's whole risk framework, covering aspects such as asset/liability matching and interest rate risks, credit default risk, equity risk, property risk, counterparty risk, currency risk and liquidity risk. The Association employs external asset managers to manage its investments and an independent custodian to monitor compliance with guidelines. ISRe, acting as the investment committee of the Board, oversees the performance of its financial assets through a regular performance, risk and compliance monitoring.

A range of tools is used to preserve the portfolio's liquidity and capital. Specific benchmarks and guidelines are set so that investments are effectively monitored and controlled, particularly in relation to the use of and exposure to derivative instruments, where applicable. The overall asset allocation is set and adjusted within ranges defined in the IP to maximise investment return within the diversification, liquidity, and risk constraints set by the Board. As part of this process, the efficiency of the asset allocation in terms of risk charges is monitored against regulatory and rating agency models.

ii. Asset/liability matching and interest rate risks

The Association continuously monitors the matching between assets and liabilities, ensuring it is not exposed to any unintended interest rate risk (to specific maturities or yield curves). It also uses interest rate risk as a source of regular income and diversification within its strategic allocation, and actively adjusts the duration of the fixed interest portfolio based on market conditions.

Fixed income investments represent the largest asset class within the Association's investment portfolio, and as a result are mainly invested in high quality, liquid, interest-bearing securities and cash equivalents.

iii. Equity risk

As part of its investment strategy, the Association also invests in equity or equity-related markets. The purpose of these investments is to generate, on average, an excess return relative to the fixed income portfolio. They are also a diversifier of the sources of performance and risk within the overall portfolio.

The maximum exposure to equities is modelled as part of the overall risk framework and the risk tolerance threshold is calculated so that a sudden market downturn would not significantly undermine the solvency position of the Association.

iv. Property risk

The Association is exposed to the volatility of market prices of real estate, through the holding of a property in Hong Kong and investments in real estate investment funds.

Property risk is mitigated by ensuring a robust diversification within the Association's real estate investments, both in term of geographical exposure and in term of segments within the real estate market.

v. Counterparty default and credit risks

The Association has exposure to counterparty default and credit risks, which are the risks of losses due to unexpected default or deterioration in the credit of a counterparty.

Key areas of exposure to counterparty default and credit risks include:

- Debt securities, cash and cash equivalents, and other investments including deposits and derivative transactions;
- Reinsurers' share of insurance liabilities and amounts due from reinsurers in respect of claims already paid, including amounts due from other Group Clubs through the IG Pool;
- Amounts due from Members.

For its financial investments, the Association mitigates the risks by setting guidelines constraining the quality and percentage of individual counterparties it is exposed to. It also mitigates the risks by delegating the management of fixed income credit portfolios to asset managers having extensive expertise and resources in monitoring credit risk.

The Association manages the counterparty default risk with reinsurers by placing and regularly reviewing limits on its exposure to a counterparty within the overall risk tolerance framework. The creditworthiness of reinsurers is reviewed before placing (including IG processes to ensure the appropriateness of reinsurers on the IG programme) and monitored regularly thereafter. Controls exist within the IG to maintain the strength of the IG Pool; the Pool itself forms a key risk mitigation.

There is no significant concentration of credit risk related to receivables as the Association has a large number of internationally dispersed ship owner and charterer Members. No single Member is sufficiently material to represent a high-risk credit exposure. The Association's Rules provide significant contractual rights to safeguard the Association's position and reduce its exposure to the consequences of default or partial payment.

vi. Currency risk

Currency risk is the risk that the fair value or future cash flows of an asset or a liability will fluctuate due to changes in exchange rates. Currency risk arises from items denominated in currencies other than the Association's operating currency – US dollars.

The Association maintains a benchmark currency profile for investments which approximates to the currency exposure within its claims liabilities so that currency movements are effectively hedged. By recording the currency exposure within claims reserves and monitoring historical payment patterns the Association determines a measure of the currency risk and the effectiveness of the currency hedge.

vii. Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due, at reasonable cost. The Association may have to pay claims with little or no notice so within its risk framework the Board has set limits on the minimum level of cash and liquid funds available to meet such claims payments and on the minimum level of borrowing facilities that should be in place to cover unexpected levels of claims and other cash demands. The main part of the Association's investments is maintained in highly liquid assets which may be converted to cash at little notice or expense.

Report of the Directors (continued)

Consolidated accounts

These consolidated accounts conform to the Luxembourg law of 8 December 1994 (as amended) in all respects except that investments are stated at market value, land and buildings at valuation and for the presentation of subrogation and salvages. Luxembourg legislation requires that investments are stated at the lower of historic amortised cost or estimated market value and that subrogation and salvage recovery items are disclosed gross. The treatment adopted in these financial statements is consistent with the basis of accounting generally accepted by the other members of the International Group of P&I Clubs and includes additional disclosures relating to cash flows, policy year positions and average expense ratio to meet the generally accepted reporting bases or specific disclosure requirements of the International Group. The consolidated accounts are set out on pages 32 to 54 with the principal accounting policies summarised on pages 38 to 40. Consolidated accounts conforming fully to the Luxembourg legislation are filed with the Luxembourg authorities: copies are available on request from our principal office.

These consolidated accounts show a surplus for the year of $31.5 million (2019 $0.7 million deficit). Other reserve movements mean that total reserves at 20 February 2020 are $338.1 million (2019 $306.4 million).

Directors

The present Directors of the Association, who are listed on page 19, held office throughout the year under review.

In accordance with the Constitution of the Association all Directors will retire at the forthcoming Annual General Meeting but, being eligible, may offer themselves for re-election.

Directors and Officers Liability Insurance

During the year, the Association maintained insurance cover for Directors and Officers against legal liabilities relating to the Association's activities.

Auditor

At the Annual General Meeting on 12 June 2020 the Directors will propose a resolution for the re-appointment of Deloitte Audit Société à responsabilité limitée for the year commencing 20 February 2020.

By order of the Board

T Brevet
Secretary

12 May 2020

Deloitte.

Deloitte Audit
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To the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg)
31, Grand-Rue, L-1661 Luxembourg

Report of the Reviseur d'Entreprises Agree

Report on the Audit of the consolidated accounts

Opinion

We have audited the consolidated accounts of The West of England Ship Owners Mutual Insurance Association (Luxembourg) (the "Association"), which comprise the consolidated balance sheet as at 20 February 2020, the consolidated income and expenditure account for the year then ended and notes to the consolidated accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated accounts give a true and fair view of the financial position of the Association as at 20 February 2020, and the results of its operations for the year then ended in accordance with the significant accounting policies set out in Notes 2 and 3 to the consolidated accounts.

Basis for Opinion

We conducted our audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier (CSSF). Our responsibilities under the EU Regulation N° 537/2014, the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the "Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the Consolidated Accounts" section of our report. We are also independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the consolidated accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Notes 2 and 3 to the consolidated accounts, which describe the basis of accounting. The consolidated accounts are prepared to assist The West of England Ship Owners Mutual Insurance Association (Luxembourg) to meet its financial information requirements to its Members and to be consistent with the basis adopted by the other members of the International Group of P&I Clubs. As a result, the consolidated accounts may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Key Audit Matters

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

- **Valuation of incurred but not reported ("IBNR") claims reserves:**

Risk description:

Gross claims outstanding include incurred but not reported ("IBNR") claims reserves which are typically recognised to reflect the uncertainty around the ultimate losses that will be incurred arising from claims due to the long-term nature of the Association's exposure. The judgements that are made by management in determining the valuation of incurred but not reported ("IBNR") claims reserves, as mentioned in note 3 to the consolidated accounts, are significant to the Association's financial position. Determining these incurred but not reported ("IBNR") claims reserves requires subjectivity and

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alterations in underlying assumptions may have a material impact on the financial position of the Association and on the results of its operations. In this context, the valuation of incurred but not reported ("IBNR") claims reserves in respect of management's selection of methodology and assumptions underlying the valuation of incurred but not reported ("IBNR") claims reserves has been assessed as a key audit matter.

Audit responses:

We have assessed the design and implementation of key controls which management performs in relation to insurance reserving. This included assessing the design and implementation of controls over the data provided to the Association's external actuarial expert, the internal challenge of that expert's work and the appropriate governance oversight in determining the key assumptions underpinning the valuation of incurred but not reported ("IBNR") claims reserves. We completed procedures to assess the competence and objectivity of management's external actuarial expert and involved our own actuarial specialists to assess the appropriateness of the methodology applied and the suitability of the key assumptions and judgements taken in determining the incurred but not reported ("IBNR") claims reserves.

Other matter

The West of England Ship Owners Mutual Insurance Association (Luxembourg) has prepared a separate set of consolidated accounts as at 20 February 2020 in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the consolidated accounts on which we issued a separate auditor's report to the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg) dated 12 May 2020.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information stated in the consolidated Report of the Directors but does not include the consolidated accounts and our report of the Réviseur d'Entreprises Agréé thereon.

Our opinion on the consolidated accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and Those Charged with Governance for the consolidated accounts

The Board of Directors is responsible for the preparation and fair presentation of these consolidated accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the Board of Directors is responsible for assessing the Group'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 Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the Réviseur d'Entreprises Agréé for the Audit of the consolidated accounts

The objectives of our audit are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the Réviseur d'Entreprises Agréé that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF 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 consolidated accounts.

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As part of an audit in accordance with the EU Regulation N° 537/2014, the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the Réviseur d'Entreprises Agréé to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the Réviseur d'Entreprises Agréé. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter.

Report on Other Legal and Regulatory Requirements

We have been appointed as Réviseur d'Entreprises Agréé by the General Meeting of the Members on 1 July 2019 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 5 years.

The consolidated Report of the Directors is consistent with the consolidated accounts and has been prepared in accordance with applicable legal requirements.

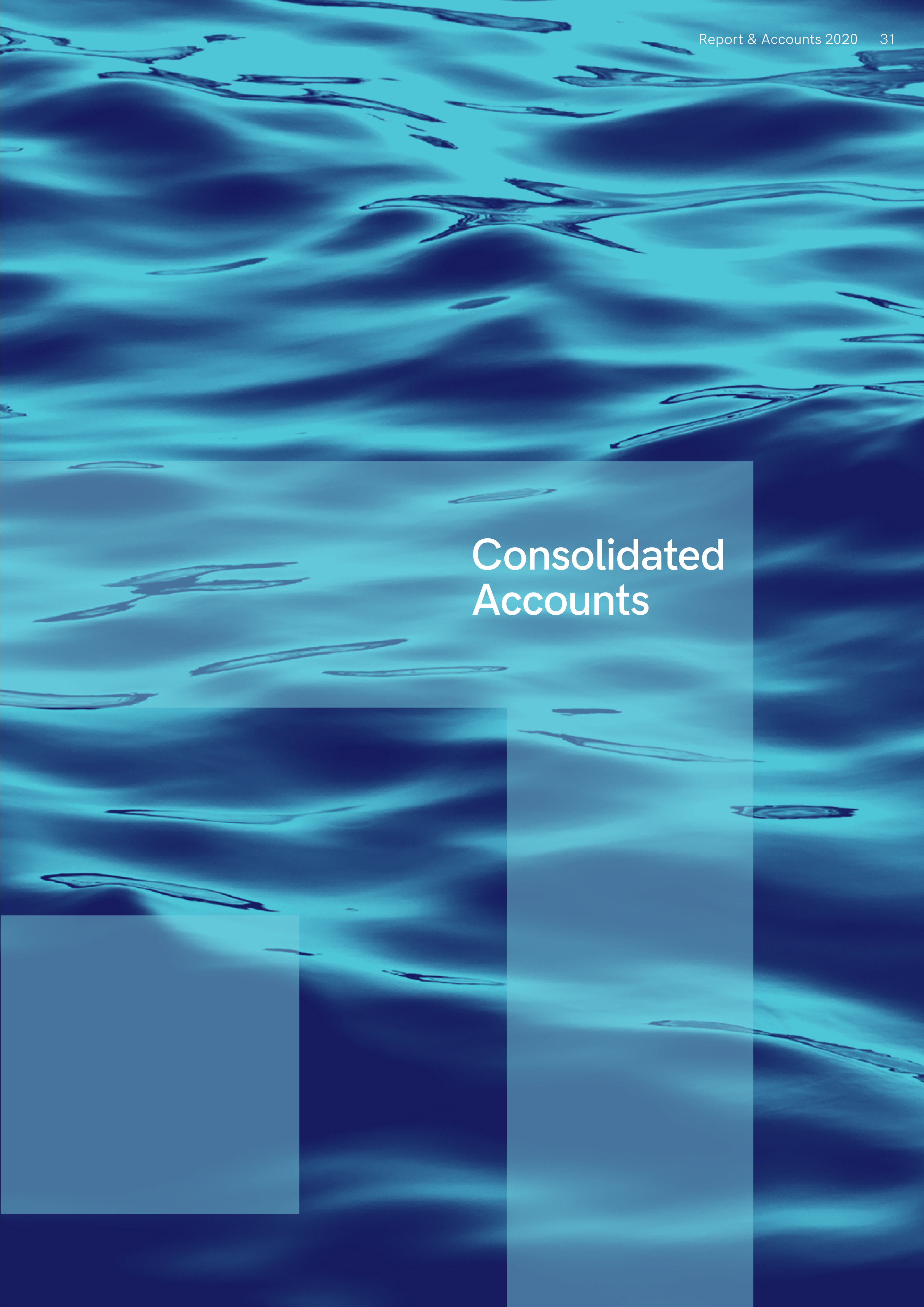
We confirm that the audit opinion is consistent with the additional report to the Group Audit and Risk Committee.

We confirm that the prohibited non-audit services referred to in the EU Regulation N° 537/2014 were not provided and that we remained independent of the Group in conducting the audit.

For Deloitte Audit, Cabinet de Révision Agréé

Jérôme Lecoq, Réviseur d'Entreprises Agréé
Partner

18 May 2020



Consolidated Accounts

Consolidated Balance Sheet

at 20 February 2020

	Note(s)	**2020 $'000**	2019 $'000
Assets			
Investments			
Land and buildings	4	**11,065**	10,969
Other financial investments	5	**628,940**	592,403
		640,005	603,372
Reinsurers' share of technical provisions			
Provision for unearned premiums		**890**	-
Claims outstanding	13	**137,470**	158,274
		138,360	158,274
Debtors			
Member debtors	8	**51,474**	40,708
Reinsurance debtors	7	**9,345**	3,058
Other debtors	9	**2,314**	1,706
		63,133	45,472
Other assets			
Tangible assets	10	**2,138**	497
Cash at bank and in hand		**78,618**	100,948
		80,756	101,445
Prepayments and accrued income			
Accrued interest		**3,215**	3,077
Deferred acquisition costs		**864**	-
Other prepayments and accrued income		**739**	820
		4,818	3,897
Total Assets		**927,072**	912,460

The accompanying notes are an integral part of these consolidated accounts.

	Note(s)	2020 $'000	2019 $'000

Liabilities

	Note(s)	2020 $'000	2019 $'000
Capital and reserves			
Revaluation Reserve	4,19	**8,496**	8,201
Income and Expenditure Account	19	**329,651**	298,172
		338,147	306,373
Technical provisions			
Provision for unearned premiums		**6,523**	-
Claims outstanding	13	**548,719**	567,069
		555,242	567,069
Creditors			
Member creditors		**17,892**	18,128
Reinsurance creditors		**3,638**	6,501
Other creditors	11	**12,153**	14,389
		33,683	39,018
Total Liabilities		**927,072**	912,460

Chairman

Director

12 May 2020

The accompanying notes are an integral part of these consolidated accounts.

Consolidated Income and Expenditure Account

for the year ended 20 February 2020

	Note(s)	2020 $'000	2020 $'000	2019 $'000	2019 $'000
Technical Account					
Earned premiums, net of reinsurance					
Gross premiums written		228,186		219,726	
Change in provision for unearned premiums		(6,523)		-	
Gross premium earned	12	221,663		219,726	
Outward reinsurance premiums		(40,798)		(38,646)	
Change in provision for unearned premiums, reinsurers' share		890		-	
Reinsurance premium ceded	12	(39,908)		(38,646)	
Earned premiums, net of reinsurance			181,755		181,080
Allocated investment return transferred from the non-technical account			45,820		28,601
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(209,252)		(224,843)	
Reinsurers' share		54,980		35,182	
Net claims paid	13	(154,272)		(189,661)	
Change in the provision for claims					
Gross amount		18,350		10,591	
Reinsurers' share		(20,804)		9,402	
Change in the net provision for claims	13	(2,454)		19,993	
Claims incurred, net of reinsurance			(156,726)		(169,668)
Net operating expenses					
Administrative expenses		(9,971)		(10,283)	
Acquisition Costs		(29,075)		(27,155)	
Change in deferred acquisition costs		864		-	
Net operating expenses	14		(38,182)		(37,438)
Balance on the technical account			32,667		2,575
Non-Technical Account					
Balance on the technical account			32,667		2,575
Investment income	16		52,231		73,141
Investment charges	16		(6,411)		(44,540)
Allocated investment return transferred to the technical account			(45,820)		(28,601)
Surplus on ordinary activities before tax			32,667		2,575
Tax on ordinary activities	17		(1,186)		(3,251)
Surplus / (deficit) on ordinary activities after tax			31,481		(676)

Consolidated Statement of Cash Flows

for the year ended 20 February 2020

	Note(s)	2020 $'000	2019 $'000
Cash flows from operating activities			
Gross premiums received from Members		**217,419**	219,657
Reinsurance premiums paid		**(41,238)**	(37,370)
Gross claims paid		**(211,912)**	(219,118)
Reinsurance recoveries received		**48,693**	51,204
Operating expenses paid		**(36,997)**	(35,965)
Tax on ordinary activities paid		**(3,779)**	(5,040)
Net cash used in operating activities		**(27,814)**	(26,632)
Cash flows from investing activities			
Income received from land and buildings		**-**	544
Purchases of property and equipment	10	**(2,024)**	(80)
Proceeds from sale of property and equipment		**50**	66,434
Interest income received		**13,577**	14,463
Dividend income received		**2,704**	1,279
Investment management expenses paid		**(877)**	(768)
Net cash flows from shares and other variable yield securities and units in unit trusts		**(5,170)**	(29,988)
Net cash flows from debt securities and other fixed interest securities		**(1,536)**	(72,764)
Net cash generated from / (used in) investing activities		**6,724**	(20,880)
Net decrease in cash at bank and in hand		(21,090)	(47,512)
Cash at bank and in hand as at beginning of year		100,948	145,439
Exchange (losses) / gains on cash at bank and in hand		(1,240)	3,021
Cash at bank and in hand as at end of year		**78,618**	100,948

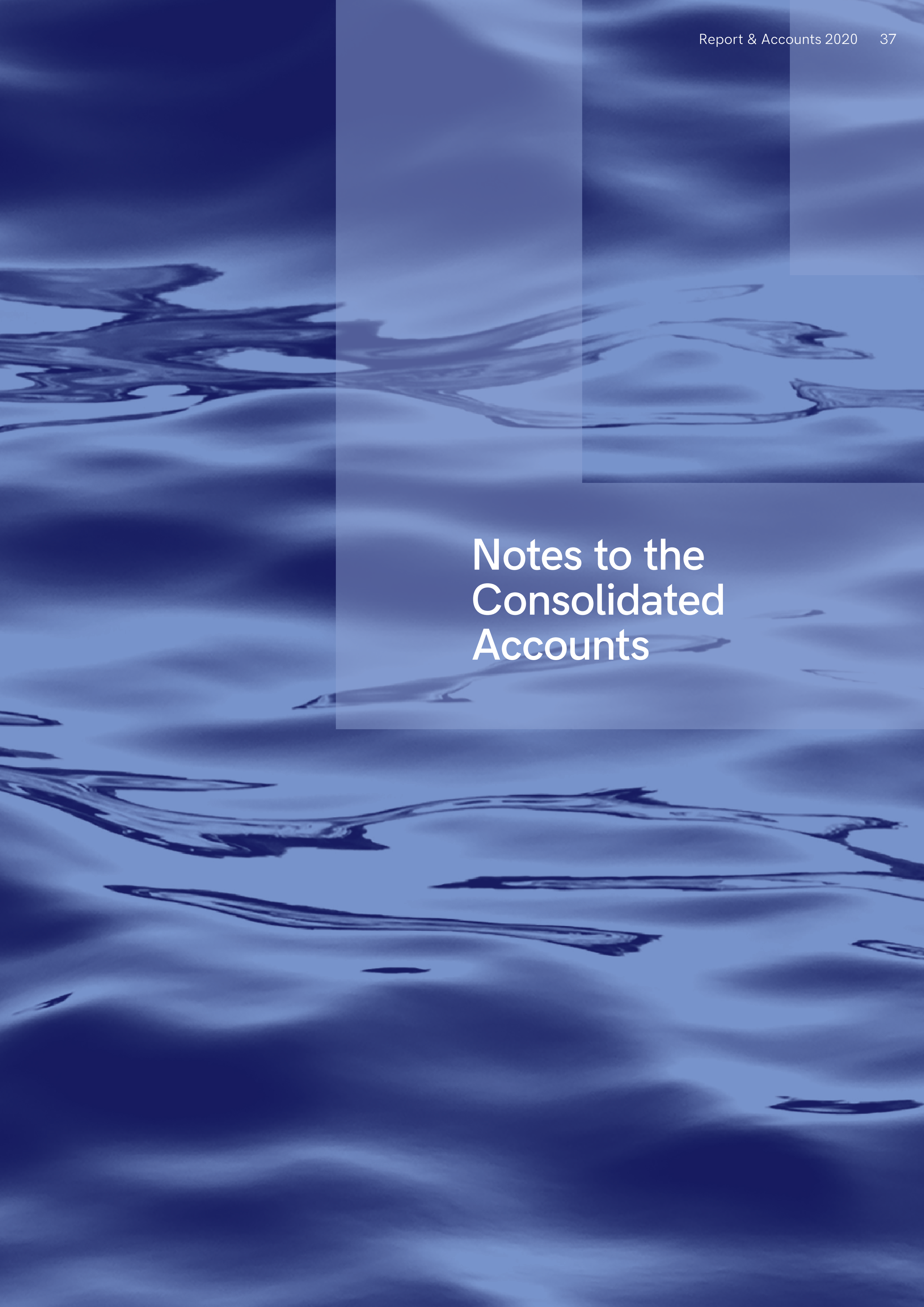
The accompanying notes are an integral part of these consolidated accounts.

Note to the Consolidated Statement of Cash Flows

Reconciliation of surplus / (deficit) on ordinary activities after tax to net cash generated from operating activities

	Note(s)	**2020 $'000**	2019 $'000
Surplus / (deficit) on ordinary activities after tax		**31,481**	(676)
Depreciation	14	**558**	996
Gain on fixed asset disposal	14	**(28)**	(32)
Exchange gain on cash balances		**(112)**	(135)
Increase / (decrease) in net insurance liabilities	13	**2,454**	(19,993)
Increase / (decrease) in provision for unearned premiums		**5,633**	-
(Increase) / decrease in insurance and other debtors		**(17,865)**	17,003
(Decrease) / increase in insurance and other creditors		**(4,115)**	4,806
Investment income	16	**(52,231)**	(73,141)
Investment charges	16	**6,411**	44,540
Net cash used in operating activities		**(27,814)**	(26,632)

The accompanying notes are an integral part of these consolidated accounts.



Notes to the Consolidated Accounts

Notes to the Consolidated Accounts

for the year ended 20 February 2020

1 General

The West of England Ship Owners Mutual Insurance Association (Luxembourg) ("the Association") is established in the Grand-Duchy of Luxembourg as a mutual insurance association and provides marine insurance and reinsurance of Members' protection and indemnity risks (Class 1) and freight, demurrage and defence risks (Class 2). As a mutual association under Luxembourg law, the Association has no share capital or subscribed capital.

2 Presentation of the Consolidated Accounts

These consolidated accounts have been prepared in accordance with the significant accounting policies set out in Note 3 to meet the financial information requirements of its Members and include information and disclosures consistent with those adopted by the other members of the International Group of P&I Clubs.

These accounting policies and disclosures are consistent with those required by the amended law of 8 December 1994 on the annual accounts of insurance and reinsurance undertakings in Luxembourg, except for the following:

- Land and buildings and other financial investments are stated at estimated market value;
- Subrogation and salvages are presented on a net basis within the balance sheet;
- Additional disclosures are included relating to consolidated cash flows, policy year positions and average expense ratio.

The Association also prepares statutory consolidated accounts ("the statutory consolidated accounts") in accordance with the legal and regulatory requirements applicable in Luxembourg, including the requirements of the amended law of 8 December 1994 on the annual accounts of insurance and reinsurance undertakings. These statutory consolidated accounts are filed with the Registre de Commerce in Luxembourg and are available at the registered office of the Association.

The impact on the valuation of land and buildings and other financial investments in the balance sheet resulting from the change in accounting policies described above between these and the statutory consolidated accounts is as follows:

	Land and Buildings $'000	Other Financial Investments $'000
Presented herein – Estimated market value	11,065	628,940
Statutory consolidated accounts – Net book value	2,916	591,384

The preparation of consolidated accounts requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the accounting policies. Changes in assumptions may have a significant impact on the consolidated accounts in the period in which the assumption changed. The Board of Directors believes that the underlying assumptions are appropriate and that the consolidated accounts therefore present the financial position and results fairly.

The Association makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Basis of consolidation

The consolidated accounts have been prepared in US dollars and incorporate the assets and liabilities of the Association and its group undertakings, listed on the adjacent page, at 20 February 2020 and the results of the year ended on that date. The group undertakings are 100% owned and are fully consolidated.

Group undertakings	Incorporated
Hydra Insurance Company Ltd. – The West of England Hydra Cell	Bermuda
International Shipowners Reinsurance Company S.A.	Luxembourg
The West of England Reinsurance (Hamilton) Limited	Bermuda
The West of England Ship Owners' Insurance Services Limited	United Kingdom
West of England (Hellas) Limited	Jersey
West of England Insurance Services (North America) Inc.	United States
West of England Claims Services (North America) Inc.	United States
West of England Insurance Services (Luxembourg) S.A.	Luxembourg

The West of England Ship Owners Mutual Insurance Association (Luxembourg) has guaranteed all outstanding liabilities as at 20 February 2020 of its wholly owned subsidiary, The West of England Ship Owners' Insurance Services Limited, UK registered number 01611499, such that it may apply for an audit exemption under UK law (Section 479A of the Companies Act 2006) for the year ended 20 February 2020. The financial results and position of The West of England Ship Owners' Insurance Services Limited are included within these consolidated accounts.

Classes and policy years

Members are insured in accordance with the Rules of the Association. Separate records are maintained for all Classes of insurance. Mutual policy balance accounts are maintained, individual accounts being held for all open policy years for each Class. The accumulated balance for all policy years is available, if required, for any exceptional future charges.

Calls and reinsurance premiums are credited or charged to the policy year to which cover relates. Claims are included in policy years by reference to the date of the incident and reinsurance recoveries are matched accordingly. General and management expenditure is allocated to Classes on the basis of calls and premium income and is charged to the policy year in which it is incurred. Investment income is allocated to policy years as determined by the Directors.

Activities relating to specific Classes, Class 1 and Class 2, and the activity relating to The West of England Reinsurance (Hamilton) Limited, which is not attributable to any Class of business, are disclosed separately in Note 18.

3 Summary of Significant Accounting Policies

Foreign currencies

Revenue and expense transactions are converted at the rate ruling at the date of the relevant transactions. Assets and liabilities in currencies other than US dollars are converted to US dollars at the rate prevailing at the balance sheet date. Exchange differences are analysed between realised and unrealised, and taken to the consolidated Income and Expenditure Account. Exchange movements arising from the retranslation of brought forward reserve balances are taken directly to capital and reserves. Unsettled forward exchange transactions are translated into US dollars at the forward rate prevailing on the balance sheet date for the remaining term of the contracts. Unrealised profit or loss on hedging transactions is charged in the consolidated Income and Expenditure Account and disclosed as an asset or a liability in the consolidated balance sheet.

Land and buildings

Land and buildings are stated at estimated market value, based on periodic valuations by independent valuers. Buildings are amortised over their useful life on a straight-line basis, taking into account their residual value. The residual value and economic useful life of buildings are reassessed by the Directors on a periodic basis. Leasehold properties are written down over the period of the lease.

Other financial investments

Shares and other variable yield transferable securities and units in unit trusts, and Debt securities and other fixed income transferable securities are valued at market value. The market value of securities traded on established exchanges is determined using the latest official close of business price available provided by selected vendors. The market value of Investment funds is calculated using the last available net asset value reported by those funds, or the last available capital statement for funds which are not unitised.

Debtors

Full provision is made for amounts owing which are more than one year in arrears and in respect of other balances considered to doubtful.

3 Summary of Significant Accounting Policies (continued)

Claims outstanding

Statistical projections are calculated for claims outstanding at the balance sheet date based upon paid claims and estimates of notified outstanding claims. Provision is made for future claims handling expenses. Significant delays may occur before claims are settled and, accordingly, a substantial measure of experience and judgement is required in assessing the ultimate cost of outstanding and unnotified claims, which cannot be known with certainty at the balance sheet date.

The reinsurers' share in claims outstanding represents the part of the gross claims outstanding that the Association is entitled to recover from reinsurers under contractual reinsurance arrangements.

Tangible fixed assets

Tangible fixed assets are valued at purchase price including any acquisition expenses. Tangible fixed assets are depreciated over their useful economic life which has been determined as ten years for fixtures and fittings and four years for motor vehicles.

Gross premiums written

Gross premiums written consist of calls, premiums, releases and other fees less return premiums and provisions for bad and doubtful debts. Premium is recognised on an accruals basis in the period in which the contract is related. Reinsurance premiums are charged to the consolidated Income and Expenditure Account on an accruals basis.

Provision for unearned premiums

Provision for unearned premiums represents that part of gross premiums written that is estimated to be earned after the balance sheet date. The unearned premium reserve is calculated on a daily pro-rata basis.

Claims incurred

Claims incurred comprises claims and related costs, including claims handling expenses, advances made on account of claims during the year, including the Association's share of claims under pooling agreements, and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Credit is taken for reinsurance recoveries due in respect of claims accounted for at the balance sheet date.

Investment income and charges

Income and charges from investments are included, together with the related tax credit, in the non-technical account on an accruals basis. Account is taken of dividend income when the related investment is declared "ex-dividend".

The amortisation of the positive differences and the accretion of negative differences between the acquisition cost and the redemption value are released to investment expenses and investment income respectively, in instalments over the period remaining to repayment.

Transfer of investment return

A transfer of investment return, including unrealised exchange gains and losses, expenses and charges, is made from the non-technical account to the technical account to reflect the return made on those assets directly attributable to the insurance business.

Expenses

General and management expenditure is charged to the consolidated Income and Expenditure Account on an accruals basis.

Acquisition costs and deferred acquisition costs

Acquisition costs represent the brokerage and commissions attributable to the processing of proposals and the issuing of policies. Acquisition costs are deferred and amortised over the periods in which the premiums are earned.

Pension costs

Defined benefit pension costs are charged to the consolidated Income and Expenditure Account over the service lives of the eligible employees in accordance with the advice of qualified actuaries. Pension obligations relating to defined final salary benefits are determined on a projected unit method. Contributions to both the defined benefit pension and defined contribution pension schemes are charged as an expense in the year to which they relate.

4 Land and Buildings

Land and buildings comprise a property in Hong Kong which is fully occupied by the Association. The property was revalued at 20 February 2020 by Jones Lang LaSalle Ltd at HK$86.1 million ($11.1 million) (2019 HK$86.1 million / $11.0 million) and the resultant surplus on revaluation was taken to the Revaluation Reserve.

5 Other Financial Investments	2020 $'000 Market Value	2020 $'000 Cost	2019 $'000 Market Value	2019 $'000 Cost
Shares and other variable yield transferable securities and units in unit trusts	**117,090**	**99,067**	101,045	91,873
Debt securities and other fixed income transferable securities	**511,850**	**492,718**	491,358	490,695
	628,940	**591,785**	592,403	582,568

Derivatives can be broken down as follows:

	2020 $'000 Contract/ Notional Amount	2020 $'000 Fair Value Asset	2020 $'000 Fair Value Liability	2019 $'000 Contract/ Notional Amount	2019 $'000 Fair Value Asset	2019 $'000 Fair Value Liability
Forward foreign exchange contracts	**34,171**	**423**	**412**	34,992	147	434

The use of derivatives for leveraging purposes is not permitted although certain of the Association's investment managers have authority to invest in derivative financial instruments for hedging purposes and as a substitute for cash securities only.

At 20 February 2020 forward foreign exchange positions comprise long US dollar positions in 15 currencies for a total value of $27.5 million (2019 $29.8 million) and short US dollar positions in 6 currencies for a total value of $6.7 million (2019 $5.2 million).

6 Financial Commitments and Guarantees

The Association itself and through its subsidiaries, International Shipowners Reinsurance Company S.A. and The West of England Reinsurance (Hamilton) Limited, has pledged certain investments as security for bank guarantees and letters of credit issued on behalf of the Association. At 20 February 2020, the secured facilities for guarantees on behalf of Members, including an agreed margin where appropriate, amounted to $89.5 million (2019 $107.5 million) and guarantees issued against those facilities totalled $18.9 million (2019 $17.3 million).

Total bank guarantees and letters of credit issued on behalf of the Association at 20 February 2020 were:

	2020 $ million	2019 $ million
On behalf of Members	**18.9**	17.3
Letters of credit and other guarantees	**5.7**	5.7

For guarantees issued on behalf of Members for claims, appropriate balance sheet provision has been made within claims outstanding.

As at 20 February 2020, the Association has an outstanding commitment to subscribe shares in an investment fund for a value of $9.4 million (2019 $7.5 million) and has committed to the future use of office space for a value of $13.7 million (2019 $13.0 million).

7 Reinsurance Debtors	2020 $'000	2019 $'000
Recoveries from other members of the International Group of P&I Clubs	**3,405**	1,106
Recoveries from the Group Excess Loss reinsurance	**430**	912
Other reinsurances	**5,510**	1,040
	9,345	3,058

8 Member Debtors	2020 $'000	2019 $'000
Member debtors	**51,474**	40,708
	51,474	40,708

Ageing analysis

The following is an ageing analysis of member debtors, net of allowance for doubtful debts:

	2020 $'000	2019 $'000
Neither past due nor impaired	**37,260**	32,334
Overdue for up to 3 months	**10,041**	5,417
Overdue for over 3 months	**4,173**	2,957
	51,474	40,708

9 Other Debtors	2020 $'000	2019 $'000
Investment debtors	**713**	147
Hong Kong Profits Tax	**736**	725
Other debtors	**865**	834
	2,314	1,706

10 Tangible Assets	2020 Motor Vehicles $'000	2020 Fixtures and Fittings $'000	2020 Total $'000
Cost			
At beginning of year	339	2,496	2,835
Additions	83	1,941	2,024
Disposals	(162)	(1,369)	(1,531)
At end of year	260	3,068	3,328
Accumulated depreciation			
At beginning of year	243	2,095	2,338
Provided during year	50	308	358
Disposals	(137)	(1,369)	(1,506)
At end of year	156	1,034	1,190
Net book value	**104**	**2,034**	**2,138**

	2019 Motor Vehicles $'000	2019 Fixtures and fittings $'000	2019 Total $'000
Cost			
At beginning of year	400	2,496	2,896
Additions	80	-	80
Disposals	(141)	-	(141)
At end of year	339	2,496	2,835
Accumulated depreciation			
At beginning of year	306	1,415	1,721
Provided during year	57	680	737
Disposals	(120)	-	(120)
At end of year	243	2,095	2,338
Net book value	96	401	497

11 Other Creditors	**2020 $'000**	2019 $'000
UK Corporation Tax	**673**	3,116
Luxembourg municipal and state taxes	**193**	453
Accrued expenses	**1,608**	2,275
Investment creditors	**721**	1,951
Other creditors	**8,958**	6,594
	12,153	14,389

Other creditors include $744,300 (2019 $783,400) becoming due and payable after one year.
All other creditors are payable within one year.

12 Earned Premiums, Net of Reinsurance			**2020 $'000**
	Class 1	Class 2	**Total**
Gross premiums by policy year			
Policy year 2019/20	207,871	11,552	**219,423**
Policy year 2018/19	282	530	**812**
Policy year 2017/18	563	45	**608**
Other	845	(25)	**820**
Total gross premiums	209,561	12,102	**221,663**
Reinsurance premiums	(38,740)	(1,168)	**(39,908)**
Earned premiums, net of reinsurance	**170,821**	**10,934**	**181,755**

			2019 $'000
	Class 1	Class 2	Total
Gross premiums by policy year			
Policy year 2018/19	205,631	11,977	217,608
Policy year 2017/18	26,517	1,712	28,229
Policy year 2016/17	19	37	56
Other	349	146	495
Total gross premiums	232,516	13,872	246,388
Movement in additional calls not yet charged	(25,447)	(1,215)	(26,662)
	207,069	12,657	219,726
Reinsurance premiums	(37,618)	(1,028)	(38,646)
Earned premiums, net of reinsurance	169,451	11,629	181,080

13 Insurance Claims and Loss Adjustment Expenses	2020 $'000	2020 $'000	2020 $'000
	Class 1	Class 2	Total
Gross claims paid and loss adjustment expenses			
Members' claims	176,257	6,575	**182,832**
International Group of P&I Clubs	26,420	-	**26,420**
	202,677	6,575	**209,252**
Reinsurance recoveries on claims paid			
Recoveries from other members of the International Group of P&I Clubs	(39,630)	-	**(39,630)**
Recoveries from the Group Excess Loss reinsurance programme	(892)	-	**(892)**
Recoveries from other reinsurances	(14,458)	-	**(14,458)**
Reinsurance recoveries on claims paid	(54,980)	-	**(54,980)**
Net claims paid and loss adjustment expenses	**147,697**	**6,575**	**154,272**
Insurance liabilities, gross	**538,648**	**10,071**	**548,719**
Reinsurers' share of insurance liabilities			
Recoveries from other members of the International Group of P&I Clubs	(56,134)	-	**(56,134)**
Recoveries from the Group Excess Loss reinsurance programme	(13,783)	-	**(13,783)**
Recoveries from other reinsurances	(67,347)	(206)	**(67,553)**
Reinsurers' share of insurance liabilities	(137,264)	(206)	**(137,470)**
Net insurance liabilities carried forward	**401,384**	**9,865**	**411,249**
Net insurance liabilities brought forward	398,953	9,842	**408,795**
Change in the net provision for insurance liabilities	**2,431**	**23**	**2,454**
Net insurance claims and loss adjustment expenses	**150,128**	**6,598**	**156,726**

	2020 $'000	2020 $'000	2020 $'000
	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	206,178	(23,141)	**183,037**
Movement in cost of prior year claims and loss adjustment expenses	(15,276)	(11,035)	**(26,311)**
Total insurance claims and loss adjustment expenses	**190,902**	**(34,176)**	**156,726**
Claims paid and loss adjustment expenses	209,252	(54,980)	**154,272**
Change in the provision for insurance liabilities	(18,350)	20,804	**2,454**
Total insurance claims and loss adjustment expenses	**190,902**	**(34,176)**	**156,726**

Claims outstanding includes $110.1 million (2019 $96.2 million) in respect of other clubs' claims through the International Group Pool, including appropriate provision for claims incurred but not reported. Recoveries shown include amounts statistically projected as recoverable against claims incurred but not reported.

13 Insurance Claims and Loss Adjustment Expenses (continued)	2019 $'000	2019 $'000	2019 $'000
	Class 1	Class 2	Total
Gross claims paid and loss adjustment expenses			
Members' claims	203,068	4,294	207,362
International Group of P&I Clubs	17,481	-	17,481
	220,549	4,294	224,843
Reinsurance recoveries on claims paid			
Recoveries from other members of the International Group of P&I Clubs	(27,920)	-	(27,920)
Recoveries from the Group Excess Loss reinsurance programme	(3,554)	-	(3,554)
Recoveries from other reinsurances	(3,708)	-	(3,708)
Reinsurance recoveries on claims paid	(35,182)	-	(35,182)
Net claims paid and loss adjustment expenses	185,367	4,294	189,661
Insurance liabilities, gross	557,227	9,842	567,069
Reinsurers' share of insurance liabilities			
Recoveries from other members of the International Group of P&I Clubs	(72,892)	-	(72,892)
Recoveries from the Group Excess Loss reinsurance programme	(15,868)	-	(15,868)
Recoveries from other reinsurances	(69,514)	-	(69,514)
Reinsurers' share of insurance liabilities	(158,274)	-	(158,274)
Net insurance liabilities carried forward	398,953	9,842	408,795
Net insurance liabilities brought forward	419,059	9,729	428,788
Change in the net provision for insurance liabilities	(20,106)	113	(19,993)
Net insurance claims and loss adjustment expenses	165,261	4,407	169,668

	2019 $'000	2019 $'000	2019 $'000
	Gross	Reinsurance	Net
Current year claims and loss adjustment expenses	246,580	(50,868)	195,712
Movement in cost of prior year claims and loss adjustment expenses	(32,328)	6,284	(26,044)
Total insurance claims and loss adjustment expenses	214,252	(44,584)	169,668
Claims paid and loss adjustment expenses	224,843	(35,182)	189,661
Change in the provision for insurance liabilities	(10,591)	(9,402)	(19,993)
Total insurance claims and loss adjustment expenses	214,252	(44,584)	169,668

14 Operating Expenses	2020 $'000	2019 $'000
Directors' fees	328	260
Auditor's remuneration	299	340
Other expenses	8,814	8,719
Depreciation	558	996
Profit on disposal of fixed assets	(28)	(32)
Administrative expenses	9,971	10,283
Acquisition costs	29,075	27,155
Change in deferred acquisition costs	(864)	-
	38,182	37,438

Remuneration granted to the Directors in respect of their duties and responsibilities during the financial year amounted to $328,299 (2019: $259,863). No loans or advances were granted to the Directors during the year and no commitments were entered into on their behalf.

The fees of the auditor in relation to the audit of the annual accounts in 2020 amount to $289,598 (2019: $318,039); the fees related to other assurance services provided including tax services amount to $8,941 (2019: $21,533).

Included within acquisition costs is $17.0 million (2019: $16.2 million) in respect of commission.

In accordance with Schedule 3 of the International Group Agreement 2016, all members of the International Group of P&I Clubs are required to prepare and disclose an “average expense ratio” which expresses expenses as a percentage of total income, calculated as a five year moving average. The figure for the year ended 20 February 2020 is 14.60% (2019: 14.68%).

15 Staff Costs	2020 $'000	2019 $'000
Wages and salaries	16,527	16,441
Other staff related costs	1,912	2,101
Social security costs	1,593	1,613
Other pension costs	2,718	2,540
	22,750	22,695

The average weekly number of employees during the year, by department, was:

	2020 Number	2019 Number
Claims	64	64
Underwriting	42	40
Administration	36	35
	142	139

15 Staff Costs (continued)

Certain employees are included in a defined benefit pension scheme, The West of England Ship Owners' Insurance Services Limited Retirement Benefits Scheme (the "Scheme").

From 30 June 2004 the Scheme was changed from one where benefits provided were based on final salaries to a cash contribution scheme with benefits based on contributions linked to annual salaries and inflation. The Scheme was closed to new entrants on 1 September 2016. Employees commencing employment after that date have the option to enrol in a new defined contribution scheme under which no future liability accrues to the Association.

The assets of the Scheme are held in a separate fund, administered by trustees, and are invested independently of the Association's assets. Funding requirements are assessed by an independent professionally qualified actuary on the basis, among others, that the Scheme is fully funded in respect of benefits provided for service up to 30 June 2004 (the date that the Scheme was closed for further accrual of final salary related benefit) in line with a pension scheme recovery plan approved by the UK pensions regulator and that the cost of benefits for service subsequent to that date is spread over the remaining service period of the staff concerned. The rate at which the Association funds the Scheme has been set on the basis of a valuation using government bond yields and mortality assumptions in line with required scheme valuation practice. The Directors intend to maintain the funding rate necessary to meet the requirements of the plan.

In accordance with the trustees' strategy to de-risk the Scheme, a "buy-in" bulk annuity policy was entered into in April 2014 in respect of pensioners within the final salaries section of the Scheme, representing the majority of Scheme pensioners. This policy is valued in the Scheme assets and liabilities at 20 February 2020, as shown below, at GBP 48.6 million (USD 62.6 million) (2019 GBP 47.9 million (USD 62.6 million)).

On an IAS 19 basis the pension scheme is valued at:

	2020 $'000	2019 $'000
Present value of Scheme liabilities	**(142,098)**	(136,542)
Market value of Scheme assets	**150,392**	143,611
Surplus in the Scheme	**8,294**	7,069

The principal assumptions underlying these valuations were:

	2020 % per annum	2019 % per annum
Discount rate	**1.8**	2.6
RPI inflation assumption	**3.0**	3.2
CPI inflation assumption	**2.1**	2.1
Limited price indexation pension increases	**2.9**	3.1

The average duration of the Scheme's liabilities is approximately 16 years (2019 16 years).

16 Investment Income and Charges	2020 $'000	2019 $'000
Income from land and buildings	-	645
Investment income	18,847	17,250
Gains on realisation of investments	3,187	49,374
Net value adjustments on investments	27,320	-
Gains from forwards and exchange	2,877	5,872
Total investment income	**52,231**	**73,141**
Investment expenses (including management expenses)	(2,251)	(2,668)
Losses on realisation of investments	(251)	(1,503)
Net value adjustments on investments	-	(35,402)
Losses from forwards and exchange	(3,909)	(4,967)
Total investment charges	**(6,411)**	**(44,540)**
Total investment return	**45,820**	**28,601**

The investment return has been attributed as follows:

	2020 $'000	2019 $'000
Class 1	38,057	25,485
Class 2	2,198	1,520
The West of England Reinsurance (Hamilton) Limited	5,565	1,596
	45,820	28,601

17 Tax on Ordinary Activities	2020 $'000	2020 $'000	2019 $'000	2019 $'000
Luxembourg municipal and state taxes		(65)		(347)
Hong Kong Profits Tax		-		(117)
Singapore Income Tax		-		-
UK Corporation Tax:				
Current tax on income for the year	(1,168)		(2,503)	
Adjustment in respect of prior years	165		13	
		(1,003)		(2,490)
Other taxes		(118)		(297)
		(1,186)		(3,251)

18 Summarised Income and Expenditure Account by Class	Class 1	Class 2	Non-Class	2020 $'000 Total
Earned premiums, net of reinsurance (Note 12)	170,821	10,934	-	**181,755**
Claims incurred, net of reinsurance (Note 13)	(150,128)	(6,598)	-	**(156,726)**
Net operating expenses (Note 14)	(35,390)	(2,733)	(59)	**(38,182)**
	(14,697)	**1,603**	**(59)**	(13,153)
Investment return, net of tax (Notes 16 and 17)	36,936	2,133	5,565	**44,634**
Surplus for the financial year	**22,239**	**3,736**	**5,506**	**31,481**

	Class 1	Class 2	Non-Class	2019 $'000 Total
Earned premiums, net of reinsurance (Note 12)	169,451	11,629	-	181,080
Claims incurred, net of reinsurance (Note 13)	(165,261)	(4,407)	-	(169,668)
Net operating expenses (Note 14)	(34,585)	(2,791)	(62)	(37,438)
	(30,395)	4,431	(62)	(26,026)
Investment return, net of tax (Notes 16 and 17)	22,417	1,337	1,596	25,350
(Deficit) / surplus for the financial year	(7,978)	5,768	1,534	(676)

19 Reserves	Revaluation Reserve	Income and Expenditure Account	Total Reserves
2020 ($'000)			
As at 20 February 2019	8,201	298,172	**306,373**
Revaluation	295	-	**295**
Exchange	-	(2)	**(2)**
Surplus for financial year (Note 18)	-	31,481	**31,481**
At 20 February 2020	**8,496**	**329,651**	**338,147**
2019 ($'000)			
As at 20 February 2018	43,248	265,285	308,533
Revaluation	(35,047)	35,573	526
Exchange	-	(2,010)	(2,010)
Deficit for financial year (Note 18)	-	(676)	(676)
At 20 February 2019	8,201	298,172	306,373

Revaluation Reserve by Class

The balance on the Revaluation Reserve is attributed to Classes as follows:

	2020 $'000	2019 $'000
Class 1	**8,133**	7,852
Class 2	**363**	349
	8,496	8,201

Total Reserves by Class

	2020 $'000	2019 $'000
Class 1	**249,127**	226,609
Class 2	**48,358**	44,608
Other reserves	**40,662**	35,156
Total reserves at 20 February	**338,147**	306,373

At 20 February 2020 other reserves consisted of reserves not specific to Class including The West of England Reinsurance (Hamilton) Limited.

20 Subsequent Events

The Association has evaluated the period after the balance sheet date up to and including 12 May 2020, the date the consolidated accounts were approved by the Board, and discloses that it has entered into an agreement to purchase 44.48% of Nordisk Marinforskaring AB (Nordic Marine Insurance) subject to the approval of the Swedish Financial Authority, Finansinspektionen.

Since the date of these consolidated accounts and following the unparalleled development of the Covid-19 outbreak and the unprecedented responses by governments worldwide, the Directors and Managers have been focusing on ensuring the safety of the Association's staff across multiple offices and the continuity of service to our Members. The Managers successfully deployed the Association's business continuity plan, allowing all staff to work remotely with immediate effect and with no disruption to the service provided to the Membership and in compliance with local administrative guidelines.

Our Members are inevitably impacted by the consequent slowdown in global trade and it is particularly important that the Club is as supportive as possible during this exceptional time. When preparing these consolidated accounts we have assessed the impact on Gross premium written of a potential increased volume of vessels being laid up and subsequent premium returns and the potential non-recovery of Member debtors and have concluded that sufficient provision has been made at 20 February 2020. We have also re-assessed the strength of the security provided by the Association's reinsurance partners and concluded that no adjustment is required to the Reinsurers' share of technical provisions and Reinsurance debtors.

Looking forward, for the year ending 20 February 2021, it is likely that certain Members will need to lay up their vessels for a prolonged period but it has been assessed that this will not lead to a Gross written premium reduction in excess of 10%. Furthermore, the Board does not consider that this will lead to a material impact on the prospective operating performance of the Association because the likelihood, as with prior global economic recessions, is that there will be a corresponding reduction in net incurred claims cost.

Financial markets world-wide are facing on-going volatility in the wake of the pandemic and the Directors and the Managers have been monitoring the impact of this volatility on the Association's financial strength and liquidity daily. The Association has maintained a conservative investment strategy for a number of years and this strategy, driven by the objective of mitigating the downside risk of returns, preserving our Members' capital and Club's solvency position as well as overall liquidity, has ensured extreme market movements, such as those experienced in March 2020, can be absorbed without unduly impacting the Association's capital and liquidity positions.

The Directors and the Managers are firmly committed to addressing the future developments of the pandemic and its potential impact on the Association's operations and financial strength and supporting our Membership will be at the forefront of our approach.

21 Class 1 Policy Year Position at 20 February 2020	2017/18 $'000	2018/19 $'000	2019/20 $'000	Unallocated Investment Income $'000	Total $'000
Calls and premiums:					
- Year to 20 February 2020	563	282	207,871	-	208,716
- Prior years	202,627	205,631	-	-	408,258
Gross premiums	**203,190**	**205,913**	**207,871**	-	**616,974**
Reinsurance premiums	(36,984)	(37,646)	(38,716)	-	(113,346)
Acquisition costs	(23,977)	(25,627)	(26,339)	-	(75,943)
Net premiums	**142,229**	**142,640**	**142,816**	-	**427,685**
Investment income	56,350	35,000	25,000	40,323	156,673
Net income	**198,579**	**177,640**	**167,816**	**40,323**	**584,358**
Net claims paid – Members	(116,346)	(83,215)	(28,768)	-	(228,329)
Net claims outstanding – Members	(46,226)	(59,618)	(107,578)	-	(213,422)
Net claims incurred – Members	**(162,572)**	**(142,833)**	**(136,346)**	-	**(441,751)**
Net claims paid – Pool	(12,404)	(12,696)	(7,493)	-	(32,593)
Net claims outstanding – Pool	(14,542)	(31,369)	(32,944)	-	(78,855)
Net claims incurred - Pool	**(26,946)**	**(44,065)**	**(40,437)**	-	**(111,448)**
Net claims paid	(128,750)	(95,911)	(36,261)	-	(260,922)
Net claims outstanding	(60,768)	(90,987)	(140,522)	-	(292,277)
Net claims incurred	**(189,518)**	**(186,898)**	**(176,783)**	-	**(553,199)**
Operating expenses	(9,053)	(9,016)	(8,762)	-	(26,831)
Net expenditure	**(198,571)**	**(195,914)**	**(185,545)**	-	**(580,030)**
Forecast balance on open years	8	(18,274)	(17,729)	40,323	4,328
Forecast balance on closed years					244,799
Forecast balance on Class 1 at 20 February 2020					**249,127**

Based on the position at 20 February 2020 a resolution will be put to the Board of Directors at their meeting on 12 May 2020 to allocate $25.0 million to policy year 2019/20 and $21.35 million to policy year 2017/18 and thereafter, under the same resolution, to close the 2017/18 policy year.

Release calls as a percentage of the estimated total mutual call have been set at 0% for policy year 2017/18, at 7.4% for policy year 2018/19 and at 15% for policy year 2019/20. The estimated yields of these 2018/19 and 2019/20 releases, if charged, would be $10.0 million and $20.4 million respectively. No account of these releases has been taken in the policy year figures above.

Under the resolution referred to above, the Board of Directors will be asked to review these releases for the remaining open years and to set them at zero for policy year 2018/19 and 7.5% for policy year 2019/20. The estimated yield of the 2018/19 release call would be $10.2 million if charged.

The following disclosure is in conformity with the agreed accounting standards of the International Group of P&I Clubs:

(a) Disclosure relating to calls	2017/18 $'000	2018/19 $'000	2019/20 $'000
Estimated product of a 10% additional call	9,681	13,341	13,595

The additional call products shown take account of calls already charged, and Members released, at 20 February 2020 and therefore do not represent 10% of the original mutual call for each year. The additional call is based on the mutual call excluding the charge to Members for The International Group Excess of Loss Reinsurance premium.

(b) Disclosure relating to claims paid	2017/18 $'000	2018/19 $'000	2019/20 $'000
Claims paid - own business	(146,917)	(108,354)	(28,768)
Claims paid – other clubs' Pool claims	(12,404)	(12,696)	(7,493)
Gross claims paid	(159,321)	(121,050)	(36,261)
Recoveries from the Pool	11,091	25,139	-
Recoveries from the Group Excess Loss reinsurance programme	-	-	-
Recoveries from other reinsurances	19,480	-	-
Reinsurance recoveries on claims paid	30,571	25,139	-
Net claims paid	(128,750)	(95,911)	(36,261)

(c) Disclosure relating to claims outstanding	Closed Years $'000	2017/18 $'000	2018/19 $'000	2019/20 $'000	Total $'000
Outstanding claims – own business	(138,750)	(58,709)	(99,926)	(130,719)	**(428,104)**
Outstanding claims – other clubs' Pool claims	(31,689)	(14,542)	(31,369)	(32,944)	**(110,544)**
Gross outstanding claims (Note 13)	(170,439)	(73,251)	(131,295)	(163,663)	**(538,648)**
Recoveries from the Pool	12,756	2,620	27,955	12,803	**56,134**
Recoveries from the Group Excess Loss reinsurance programme	13,783	-	-	-	**13,783**
Recoveries from other reinsurances	34,793	9,863	12,353	10,338	**67,347**
Reinsurance recoveries on outstanding claims (Note 13)	61,332	12,483	40,308	23,141	**137,264**
Net claims outstanding	(109,107)	(60,768)	(90,987)	(140,522)	**(401,384)**

The figure for outstanding claims includes appropriate provision for claims incurred but not reported and future claims handling expenses. Recoveries include amounts statistically projected as recoverable against claims incurred but not reported. Recoveries from the Pool include the International Group's retained share of the Excess of Loss programme.

22 Class 2 Policy Year Position at 20 February 2020	2016/17 $'000	2017/18 $'000	2018/19 $'000	2019/20 $'000	Unallocated Investment Income	Total
Calls & premiums:						
Year to 20 February 2020	28	45	529	11,553	-	12,155
Prior years	11,576	12,294	11,978	-	-	35,848
Gross premiums	**11,604**	**12,339**	**12,507**	**11,553**	**-**	**48,003**
Reinsurance premiums	(897)	(966)	(1,050)	(1,149)	-	(4,062)
Acquisition costs	(1,380)	(1,443)	(1,612)	(1,506)	-	(5,941)
Net premiums	**9,327**	**9,930**	**9,845**	**8,898**	**-**	**38,000**
Investment income	-	-	-	-	11,364	11,364
Net income	**9,327**	**9,930**	**9,845**	**8,898**	**11,364**	**49,364**
Net claims paid	(4,525)	(5,143)	(4,909)	(1,208)	-	(15,785)
Net claims outstanding	(518)	(1,148)	(2,302)	(5,047)	-	(9,015)
Net claims incurred	**(5,043)**	**(6,291)**	**(7,211)**	**(6,255)**	**-**	**(24,800)**
Administration expenses	(1,110)	(1,201)	(1,204)	(1,150)	-	(4,665)
Net expenditure	**(6,153)**	**(7,492)**	**(8,415)**	**(7,405)**	**-**	**(29,465)**
Forecast balance on open years	3,174	2,438	1,430	1,493	11,364	19,899
Forecast balance on closed years						28,459
Forecast balance on Class 2 at 20 February 2020						**48,358**

Investment income includes all amounts earned up to 20 February 2020. Based on the position at 20 February 2020 a resolution will be put to the Board of Directors at their meeting on 12 May 2020 to close policy year 2016/17 in surplus without allocation of investment income.

Release calls as a percentage of estimated mutual call have been set at zero for open years 2016/17 and 2017/18, at 7.5% for 2018/19 and at 20% for 2019/20. No account of these releases has been taken in the policy year figures above. Under the resolution referred to above, the Board of Directors will be asked to review these releases for the remaining open years and to reduce policy year 2018/19 to zero and 2019/20 to 7.5%.

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