WEST

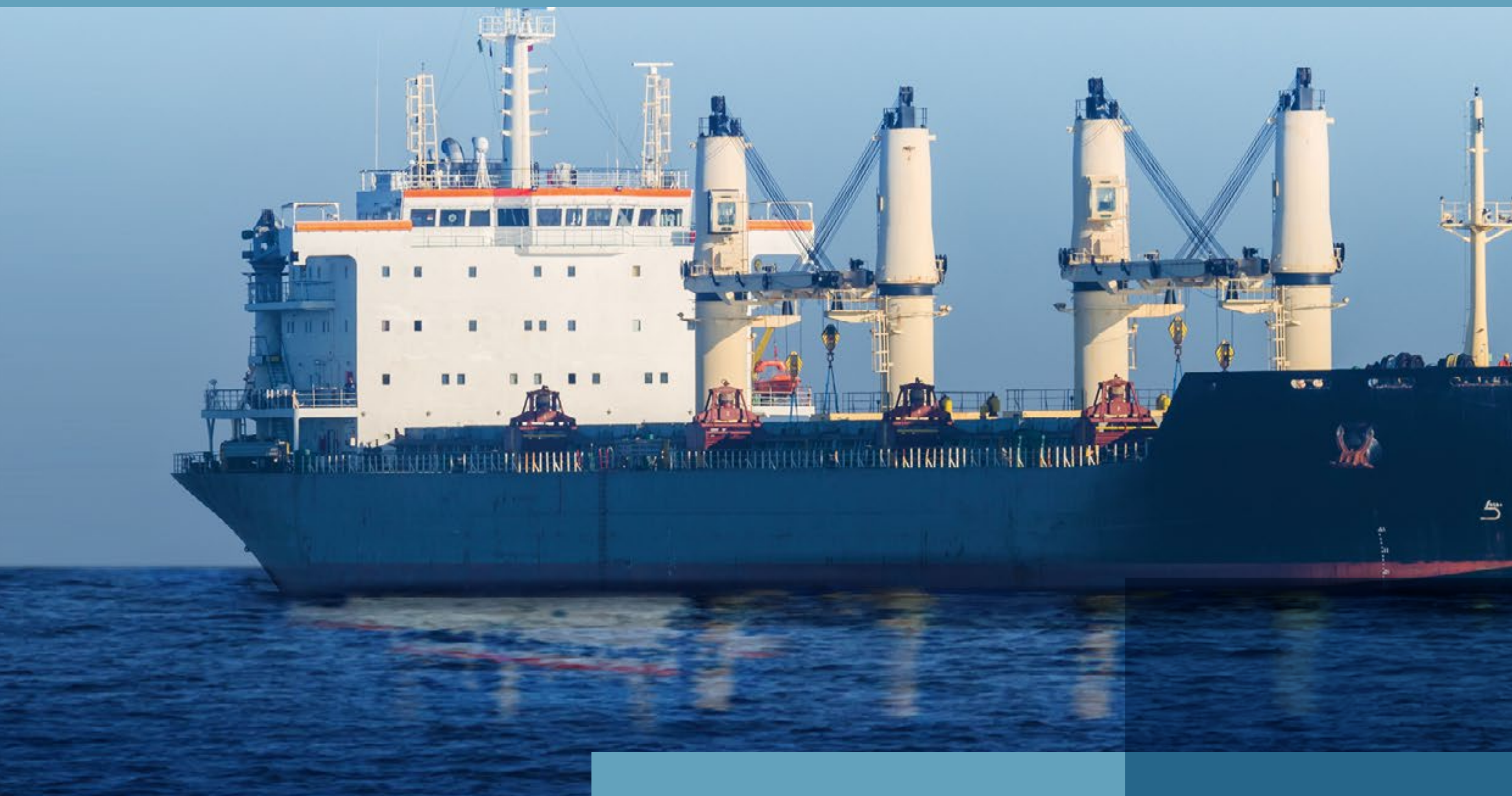
Report & Accounts

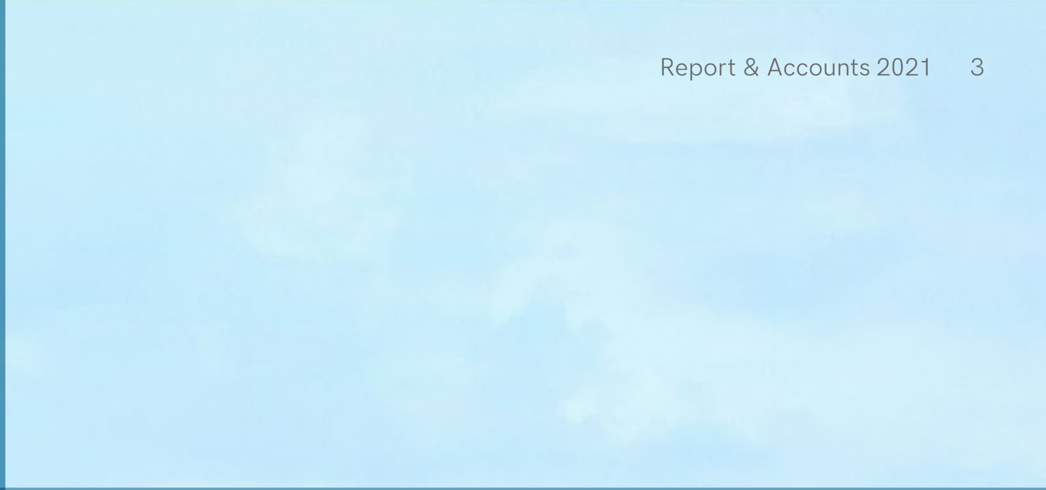
2021

Key Facts

Free Reserve
At 20 February

2021	291.1 $m
2020	338.1 $m
2019	306.4 $m
2018	308.5 $m
2017	306.5 $m





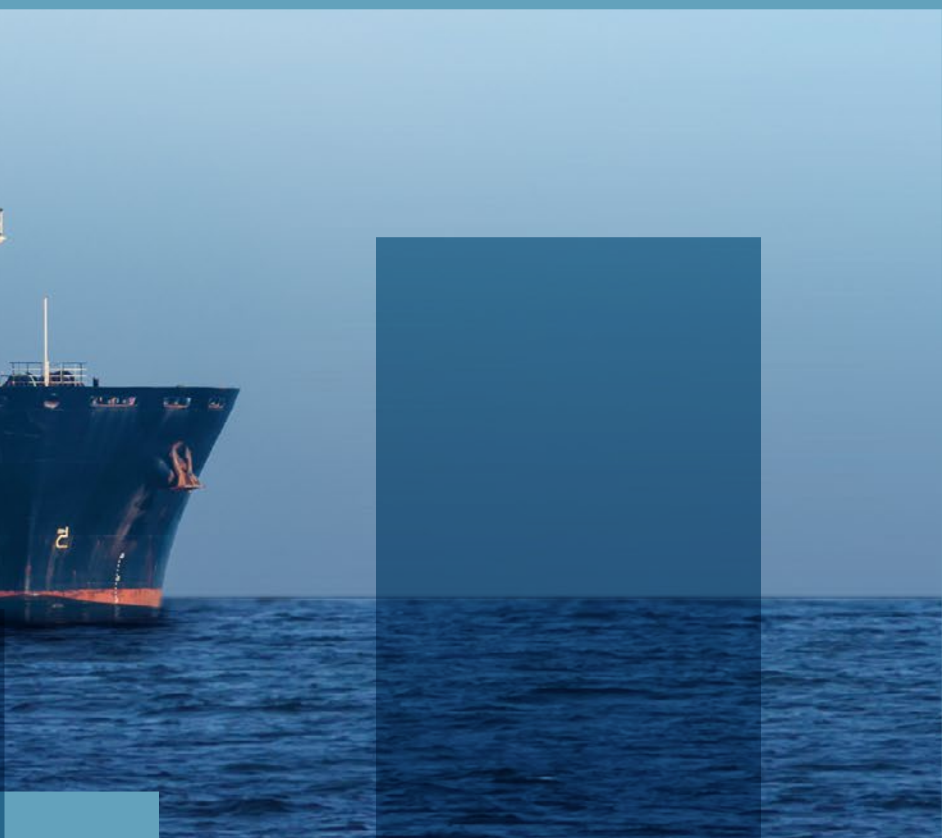
Capital remains in excess of **S&P AAA rating levels**

Combined ratio at **139.8%**

Standard & Poor's A- rated security

Mutual Tonnage GT **106.4m**

Investment return of **4.6%**



Francis Sarre
Chairman

Chairman's Statement

I wrote at this time last year about the unprecedented times we were living through due to the impact of the Coronavirus pandemic. A year on and it is sobering to reflect that we continue to do so, with many millions of people around the world having been affected by this terrible event.

Thankfully there does appear to now be better news on the horizon with the continued deployment of the global vaccination programme and some hope that we can begin to return to some degree of normality, including getting back into our offices for face-to-face meetings and the team working and collaboration which has been so challenging to replicate in the virtual world we have become accustomed to.

But Covid has only been one factor in what has in many ways been a challenging year for Clubs. The claims costs arising from the International Group Pool have been of considerable concern. These reached record levels in 2020 following several similarly significant years where both claim numbers and magnitude have been increasing and it seems clear that this heightened large claim activity is not a single year aberration. The Pool is of course an invaluable smoothing tool and a key part of mutuality, but this sustained incidence of major casualties is undoubtedly putting a significant pressure on all Clubs' balance sheets and will inevitably increase the cost of the reinsurance arrangements that underpin the strength of the International Group.

Covid-related claims themselves have also been an issue, with some USD 12 million worth of additional claims impacting the Club last year relating to crew illness and the costs of quarantining a ship when there was an infectious outbreak of the disease on board.

This has not been helped by the continued failure of states to recognise the uniquely valuable role that seafarers play in world trade. I spoke last year of the need for our seafarers to be treated as key workers and be allowed to transit easily through ports at the end of their contract to see their loved ones at home in these worrying times. Sadly, this has not happened and the advent of the Delta variant of the virus has seen a regrettable upsurge in both Covid illness rates amongst seafarers and a further unwillingness to grant them the status they deserve.

Against this difficult claims backdrop it is clear that premium rates remain below the level needed to reflect risk and the changing claims environment we now operate within. This appears to be a continuing systemic problem across our industry and it is vital to close this gap for the long-term financial health of any mutual as the current losses are not sustainable. Thankfully this message does seem to have started to resonate in the market and I was pleased to see the Club emerge ahead on premium at the last renewal but further market hardening is required in order to bring rate and risk to something nearer parity.

Your Board's prudent investment strategy did however once again help offset the technical pressures on the result with a return of 4.6%, a robust performance in view of the financial market turmoil immediately following the outbreak of the virus in the early part of last year.

Unfortunately, this was not sufficient to offset the technical deficit so the Club reported a drop in our Free Reserve, but these results have been largely replicated across the market and we are not alone in having to navigate through some difficult waters at present.

Something with a rather more positive impact on all of our professional and personal lives is the rise in prominence of environmental, social and governance considerations which have the potential to affect everything we do. Recognising this, the Club has launched an initiative to fully embrace the benefits, establishing a team to develop our ESG agenda by looking at both its impact on our internal operations and also positioning the Club to become a source of knowledge and advice to our Members on how the drive for sustainability may impact them and their operations.

We will be publishing an ESG report for the first time this year and this will include details of our strong corporate social responsibility commitments. A highlight last year was the announcement as part of our 150th anniversary celebrations of a significant long-term charitable support programme for work in the fields of the mental welfare of crews, environmental protection and education.

Chairman's Statement (continued)

We are very proud to be working with our partners the Sailors' Society, the Blue Marine Foundation and the National Oceanography Centre respectively in these vitally important areas for the future of the maritime industries. We have also continued to support charities at a more local level via our regional offices, including Feeding Hong Kong and Symplefsi in Greece.

The Club's diversification streams have made a solid and positive start, although once again the pandemic has unfortunately made it more difficult to engage with brokers, shipowners and others in the maritime transport chain to acquaint them with the wide range of products and services that our partnerships with Astaara, Qwest and Nordic are able to offer. But steady progress has been made and the teams are looking forward to having the ability to take the products more directly to market as soon as it is safe to do so. Your Board is continuing to look at other opportunities to diversify in order to support our Members with new initiatives which will add value but also make financial sense for the Club.

We were pleased to welcome Captain Simon Hodgkinson as the new Global Head of Loss Prevention this year as well as a number of other experienced mariners to expand that team. This underlines the value we place in the loss prevention function - our Members tell us that the breadth and depth of information, data and advice they are able to receive on a whole range of topics around ship operations and the carriage of cargo is of crucial importance to them. Simon and his team have already engaged with our Advisory Committee to obtain their views on what more our Members want and expect from Loss Prevention and they will be engaging with others on a similar basis to obtain their feedback.

Our unrelenting focus on the Club's core principle of outstanding service also saw us deliver some new and exciting IT developments during the year. Neptune is our innovative and market-leading information portal, providing real-time comprehensive information and data from both the Club and third-party suppliers about ports around the world, together with a unique platform to access the latest data from Veritas Petroleum Services on bunkers being supplied at the top ten bunkering ports.

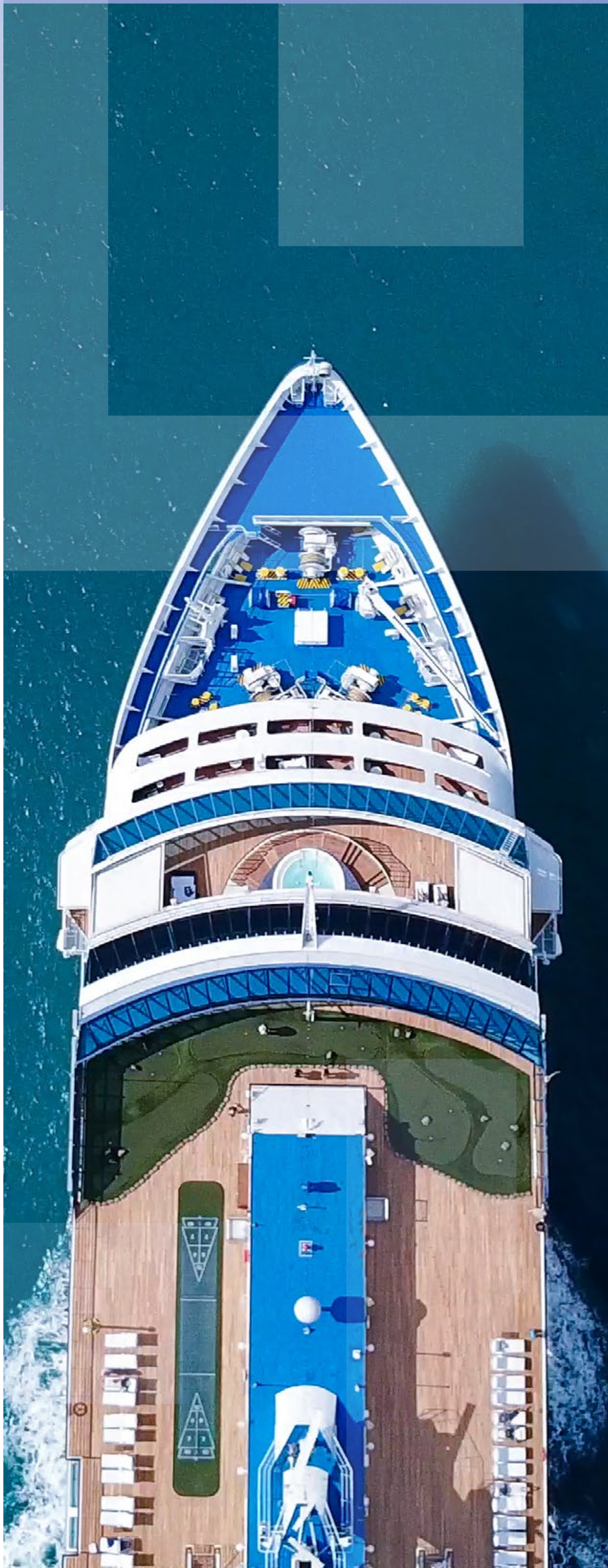
To further ease and automate our Members' interaction with the Club we also implemented an update to our popular WestNet system, which enables Members and their brokers to access entry information and documentation for their fleet as and when they require it. The Club is proud of its unwavering commitment to supporting its Members in everything they do and we will continue to explore other ways in which we can deliver information and generally improve our service by harnessing the exciting developments in areas like big data and AI.

During the year, the Advisory Committee was pleased to welcome Abdulkareem Al Messabi, Tristan Frisell, Marilena Papachristodoulou, Pierfrancesco Vago, Todd Busch and Yiannis Niotis to its ranks, but also saw Steve Gilbert, Laurent Cadji and Kim Chalmer step down. My thanks to them all and to my colleagues on the Board for all their hard work and wise counsel during this challenging year.

Finally, may I likewise express my thanks to Tom and his hard-working team at the Managers, who have all had to continue to work under the restrictions that Covid has imposed upon us but have nevertheless continued to ensure that the Club stays at the forefront of the industry and focused on serving our Members.

Let us all hope that by the time I come to write my statement next year the pandemic will be behind us and we can look forward again to more normal and hopefully prosperous times. Until then I hope you and your families remain safe.

Francis Sarre
Chairman



Managers' Review

The ongoing pandemic meant a challenging year for the Club and its Members especially with regard to investment markets and the severity of claims but also with regard to the health and well-being of our Members' crews.

Overall Result

The Club's capital reduced but, despite all the challenges faced, remained strong with the Free Reserve reported at USD 291.1 million.

The reduction in Free Reserve was driven mainly by the weak operating environment with claims costs exceeding expectations. The resultant negative technical result was partially offset by an investment return of 4.6% with the Club's conservative strategic allocation not only proving resilient in the market turmoil in March 2020 but generating a return in excess of expectations.

The details are set out in the Financial Statements on pages 38 to 61.

Free Reserve USD

291.1m

Tom Bowsher
Group CEO

Underwriting Result

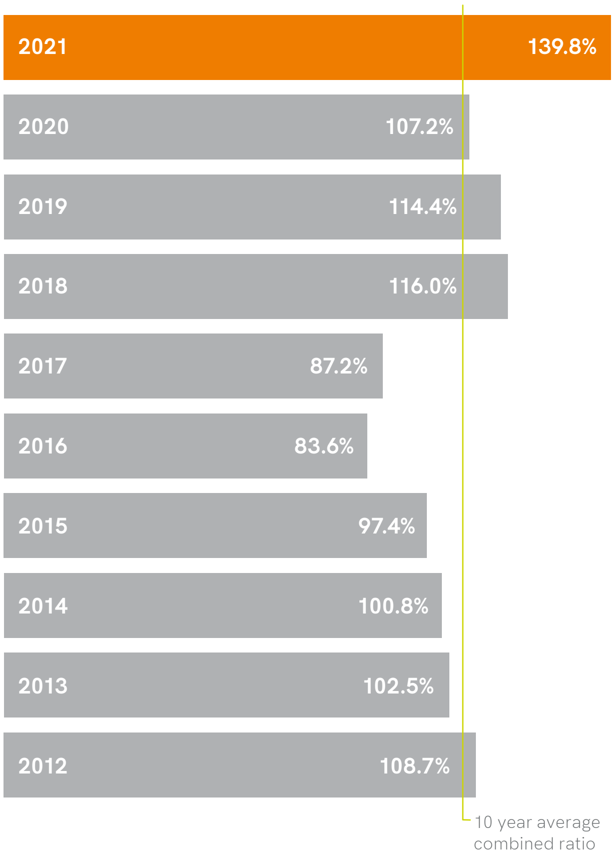
The Club's underwriting deficit gives rise to a combined ratio of 139.8%. After consecutive years of improvement this was a disappointing outcome and the reported combined ratio is significantly higher than the Board's medium-term target of better than 100% - a target that is difficult to foresee being achieved in the short-term given the insufficient premium rating that is evident across the entire industry. The average combined ratio of the last ten years is 105.8% but the results of the last four years experienced across the International Group clearly indicate that premium rates need to increase if operating results are to return to the Board's target level.

Members' Claims

Members' claims have generally run-off favourably in recent years. This has again been the case in the year-ending 20 February 2021 albeit not to the extent that has been reported in preceding years following an observed slow-down in the settlement of claims in several jurisdictions with court proceedings having stalled or even ceased as a consequence of the pandemic.

At the 12 month point Policy Year 2020 has a net incurred claims cost of USD 134.4m compared to just USD 97.8m in the prior year representing an incurred cost higher than any preceding year at the same development point.

Combined Ratio
Year to 20 February



Managers' Review (continued)

The net incurred cost for incidents up to USD 500k in value, which represent 99.5% of the claims received by the Club and can usually be predicted with reasonable certainty, were greater than budgeted due to the cost of Covid related claims which exceeded USD 12m. Furthermore, although four claims in excess of USD 5m was not out of line with the Managers' expectations, the severity was with all four of these incidents notified to the International Group Pool. Four claims in excess of USD 10m in cost is a disproportionate share for a Club of our size - two of the claims were significant in magnitude and, with an incurred cost currently estimated to be in excess of USD 40m, are two of the largest incidents notified by the Club in its history.

The Club's reinsurance programme did protect the Balance Sheet following the greater than expected severity of the larger losses but it is nevertheless clear from the two claims charts the impact that the large loss claims experience has on the net incurred claims cost of any Policy Year.

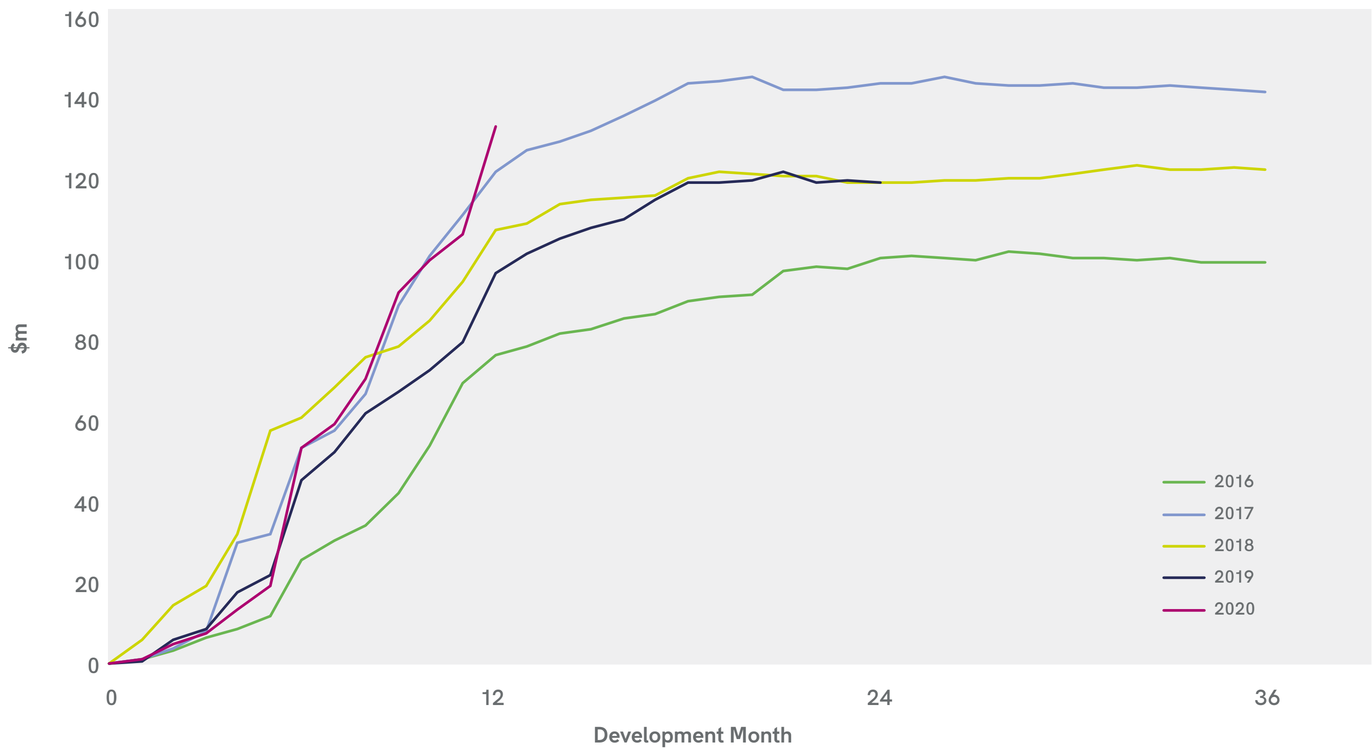
Other Clubs' Pool claims

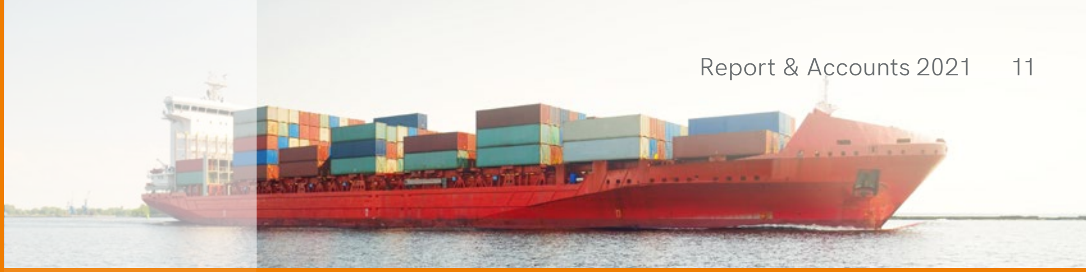
For Policy Year 2020, claims in excess of USD 10m were shared between the International Group Clubs through the Pooling mechanism and at the 12 month point of Policy Year 2020, 20 claims had been notified with a total cost to the IG pooling layers, including the co-insurance layer, of USD 478 million compared to USD 355 million in the previous year.

The net cost to the Clubs has materially increased in each of the last three Policy Years, putting pressure on all Clubs operating results, and while it can often be difficult to discern trends in claims of this magnitude it would appear that there is a tendency towards more expensive pool claims.

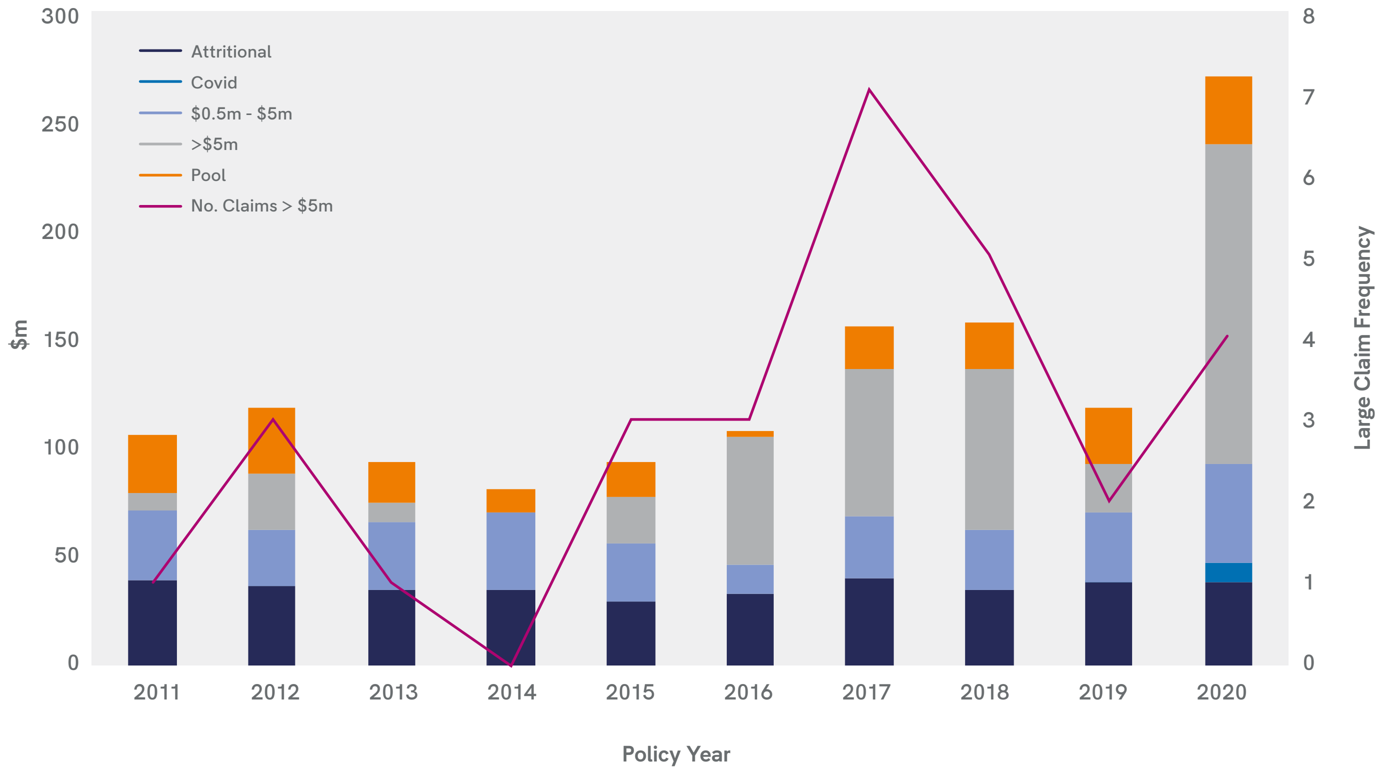
The West's share of these claims will increase as a result of its own Pool claims experience and this too has had a negative effect on the Club's operating performance in the year.

Development of Members' Net Incurred Claims
Policy Years 2016 to 2020

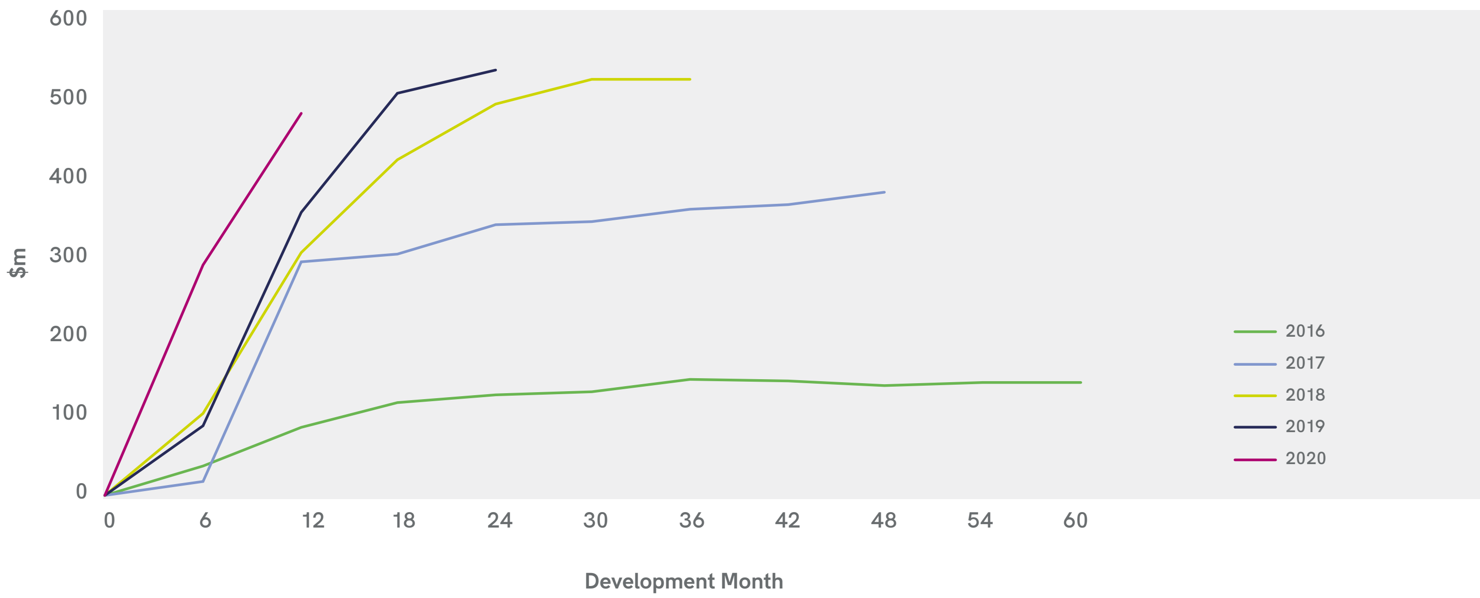




P&I Owned Gross Incurred Claims at 12 month Development Point



International Group Pool Claims Development – Gross Incurred
Policy Years 2016 to 2020



Managers' Review (continued)

Reinsurance programme

Large claims are inherently difficult to predict so it remains vital that the Club's claims experience continues to be underpinned by comprehensive reinsurance arrangements to mitigate the effects of extreme volatility in the underlying underwriting result. A fundamental part of this is the International Group Pool and Excess of Loss reinsurance programme which provides shipowners with an unparalleled level of cover. The International Group benefits from the support of a panel of reinsurers but the recent large loss experience in a well-publicised hardening reinsurance market will likely be reflected in an increase in rates into 2022.

The Club also continues to place reinsurance for claims within its own retention and a long-term approach remains central 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 2021.

Investment portfolio / return

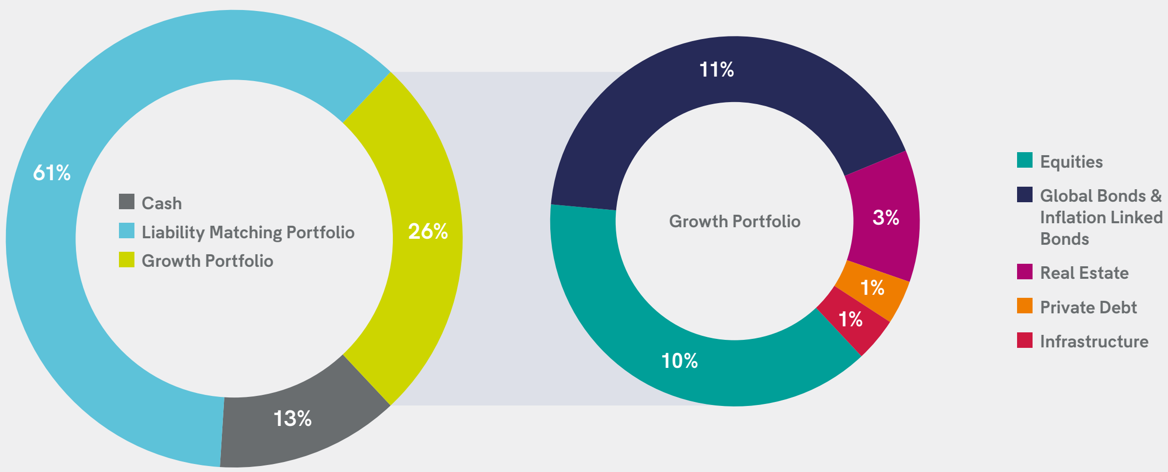
The Club's investment strategy remains driven by the longer-term objective of maintaining low volatility, appropriate liability matching and overall stability of the capital position reflected in over 10 consecutive years of a positive investment return. This year the portfolio continued that trend returning 4.6% as ultra-loose monetary policies supported the performance of all major asset classes despite the global recession caused by the Covid-19 outbreak.

The rapid spread of the pandemic caused a widespread sell-off during the first month of the financial year with global equities dropping more than 30% and corporate credit spreads surging to levels not seen since the great financial crisis. However, the Club's capital strength meant that the market volatility could be absorbed without changes to the asset allocation and the Club was able to fully benefit from the strong recovery in the financial markets following the rapid response of central banks and governments in supporting the global economy.

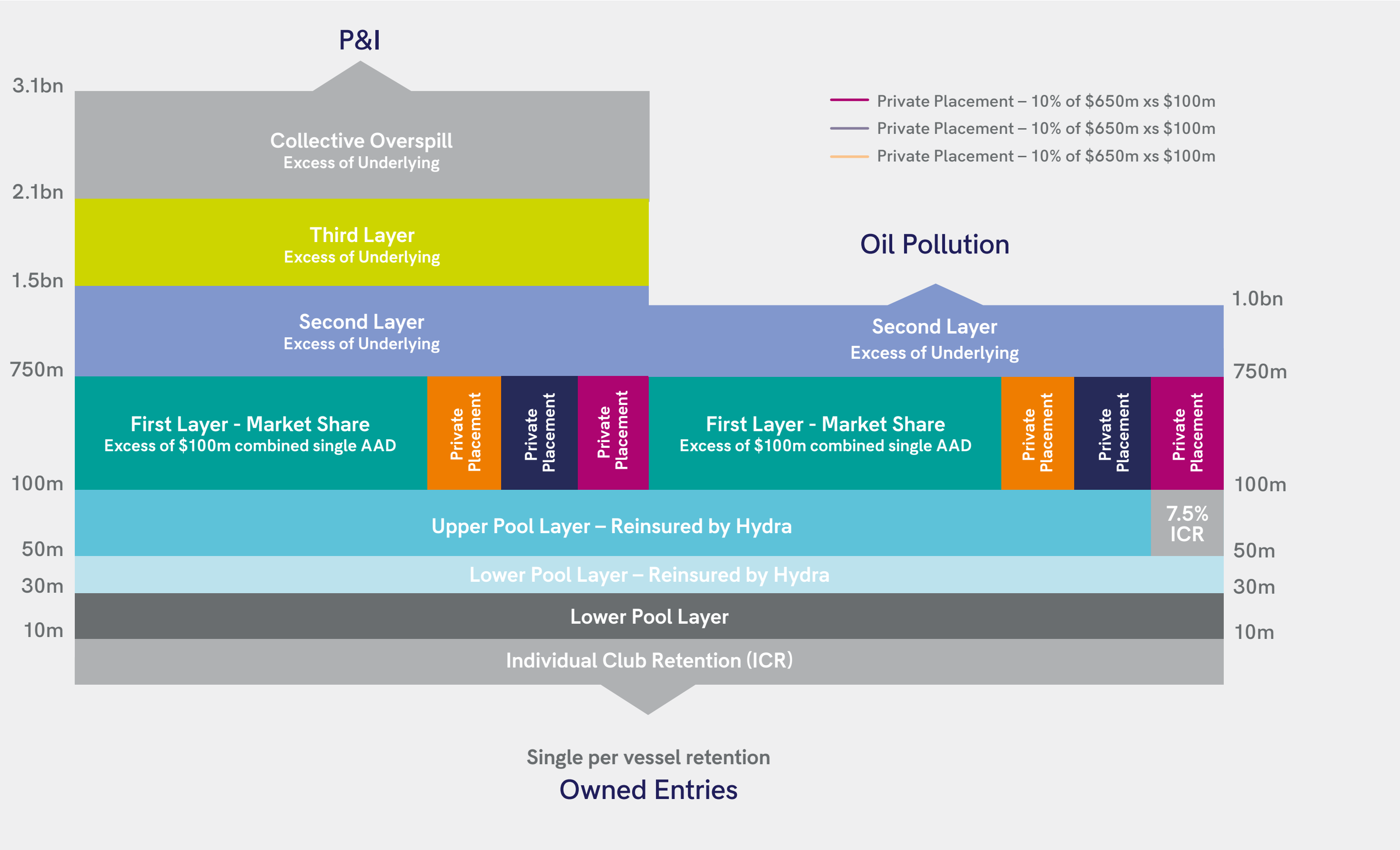
The Club's Growth Portfolio returned over 8% driven by listed equities and alternative investments (Real Estate, Infrastructure and Private Debt Funds) returning 13% and 7% respectively while global government bonds rose by 3%. The Liability Matching portfolio (composed of investment grade corporate debt and U.S. Treasuries) also performed well, returning 4% due to a second consecutive year of significant decreases in bond yields, in particular for short and intermediate term maturities, as a result of central banks' actions.

Looking forward, the current level of interest rates and the capital constraints that apply to an S&P rated and Solvency II regulated insurance company mean that the medium-term investment return prospects of the Club are unlikely to reproduce the strong performance reported during the last four years.

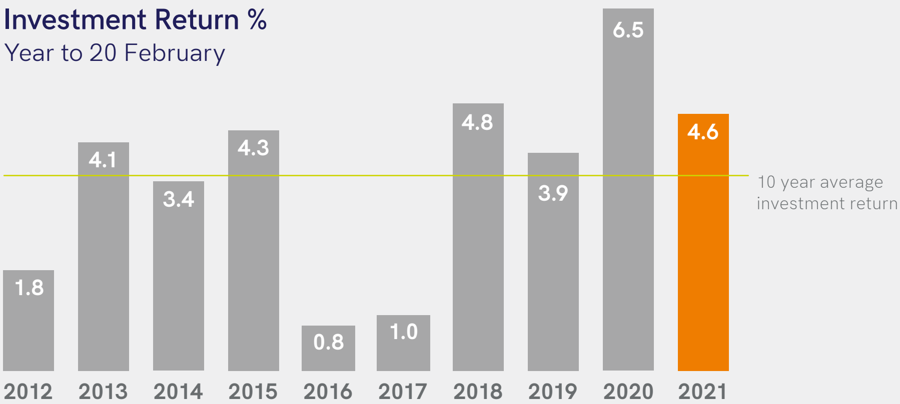
Asset Allocation
At 20 February 2021



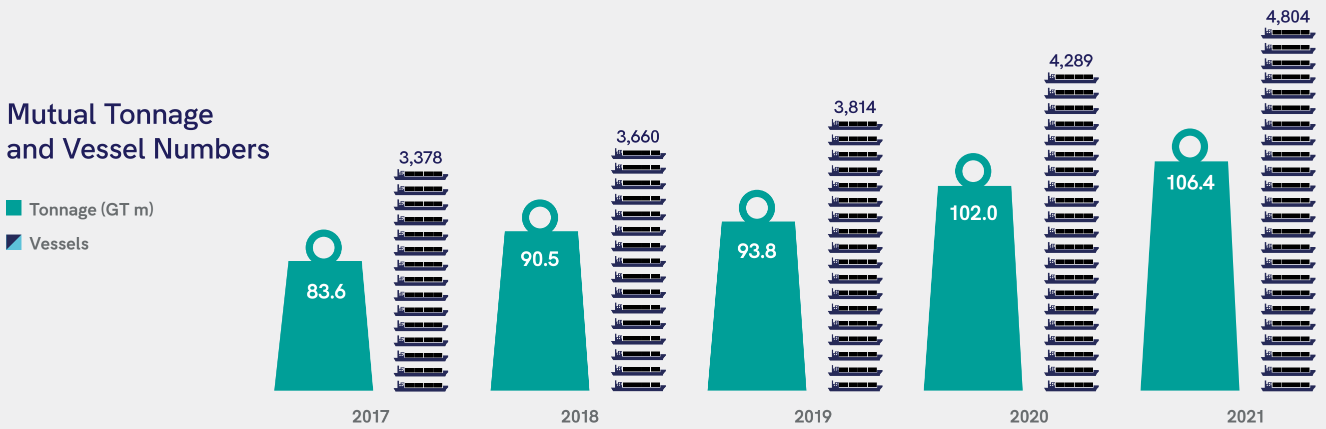
Group Excess of Loss Reinsurance Programme
Policy Year 2021



Investment Return %
Year to 20 February



Managers' Review (continued)



Capital Strength

As a mutual, the aim of the Board is to hold sufficient capital to ensure that the Club is well positioned to weather challenging operating conditions and financial market volatility. It is without question that the past year has presented a perfect storm of challenges for our Balance Sheet to withstand but the exceptional capital strength with which the Club began the new policy year at 20 February 2020 stood it in good stead. The capital inevitably reduced not just because of the reported operating performance but because of an increase in the Club's net technical provisions driven in part by a slowdown in claims settlement across the globe, an unforeseen consequence of the pandemic.

Despite these challenging conditions the Club comfortably meets all of its regulatory capital requirements and it's SCR coverage at 20 February 2021 is 163%. The Club also continues to hold capital in excess of Standard and Poor's "AAA" capital requirement, a strategic threshold targeted by our Board, something reflected in the April 2021 re-affirmation of the Club's A- rating.

Renewal

Both the Board and the Managers have been clear for some time that premiums have been at an unsustainably low level to meet the increased claims costs experienced throughout the industry.

The Club therefore adopted a rigorous approach to the 2021 renewal focussing on either redressing rates or strategically de-risking from Members with adverse records and an overall increase in premium was achieved. The inevitable reduction in tonnage was largely balanced by organic growth from existing Members who have once again demonstrated their sustained trust and confidence in the Club and the Club's mutual entry therefore remains in excess of GT 100m.

Standard & Poor's
A-
rated security

163%
SCR coverage

Looking forward

The global pandemic has underlined the fact that the Club and its Members operate in uncertain and unpredictable times. It is consequently ever more important that the Club stands as a beacon of support and stability for its membership.

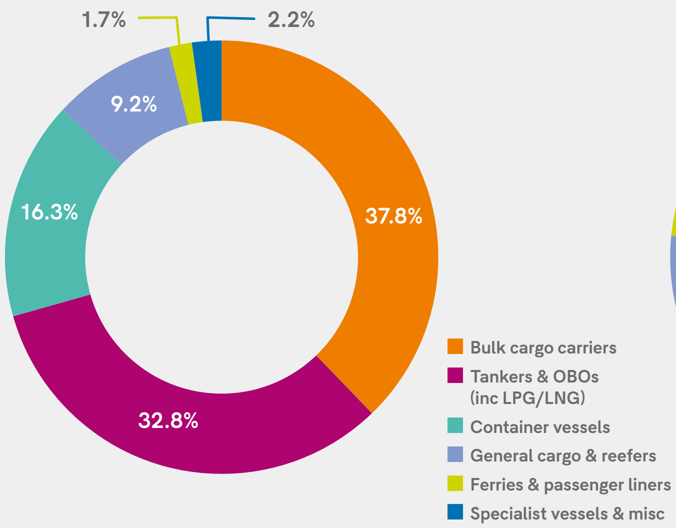
The claims impact of Covid is continuing and the Club is assisting with the many complications which it has brought, not least because of the impact of the Delta variant and the refusal of states to allow crews to be rotated and repatriated in a timely fashion. This support is on two levels; on a daily operational basis assisting Members with their immediate problems around crew illness, quarantine and repatriation, but also looking more holistically at wider issues the pandemic has highlighted concerning crew welfare and, especially, mental health. This latter aspect is reflected not only in our charity work supporting the Sailors' Society but also in the products and initiatives the Club has developed in conjunction with its partners.

The current and future impacts of sustainability on the maritime industry are also of significant concern for shipowners, with greater public scrutiny on the environmental performance of ships, the cargoes they carry and the fuels they consume. The Club is fully engaged in this emerging market space and is already developing its ESG strategy to not only improve its own operating performance and protect our staff, but also to make sure it is well positioned to support its Members with information and advice on how ESG might affect their business.

The Managers will also continue to search for opportunities for the Club to diversify its activities and develop more products and services which support our Members without putting the Club's capital at risk. This is the model around which our existing partnerships with Astaara, Nordic and Qwest are built and which have all begun successfully despite their launch into challenging market conditions.

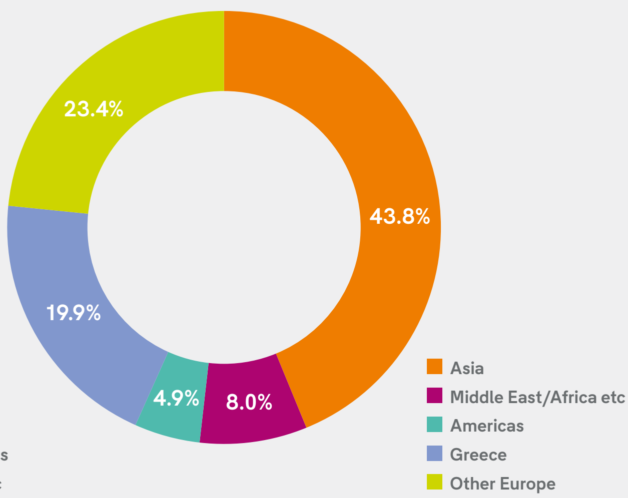
Entered Tonnage by Vessel Type % (Class 1 owner entry)

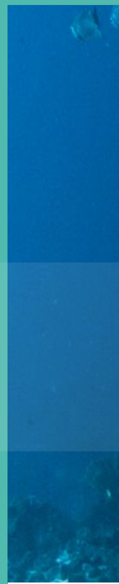
Policy Year 2021



Entered Tonnage by Area of Management % (Class 1 owner entry)

Policy Year 2021





Sustainability

Our world is changing and West is committed to help develop the sustainable maritime industries of tomorrow. Environmental, social and governance (ESG) concerns are at the forefront of that change and we are working on formalising our ESG policies and frameworks as well as building on our existing achievements.

We will continue to identify areas of focus for the West where we can have a positive impact and to embed ESG into our culture, working collaboratively with staff, Members and business partners to promote ESG principles.

As part of this commitment, West is actively considering selecting a number of the United Nation's 17 Global Goals for Sustainable Development to use as a focus point for our further ESG strategy. We have created an ESG team from across our business with a broad geographical, gender and hierarchical representation, who will assess how we can develop our framework and policies further across all our regional offices to further embed sustainability into every aspect of the Club's operations.

Additionally, as a member of the International Group of P&I Clubs, West is working alongside the other Clubs to help develop the IG's own sustainability programme.

Our ongoing commitment to sustainability is demonstrated by the key actions we have already taken in environmental, social and governance initiatives including the following:

Environmental

Climate change is understandably the key focal point, with a growing recognition of the need to curb mankind's impact on the planet and prevent further damaging rises in average global temperature. It is positive to see that the maritime industry has already embraced this in all sectors of our business, especially the IMO initiatives around limiting the amount of greenhouse gases produced by ships.

West provides guidance and advice to Members to encourage a reduction in their environmental footprint. Our Neptune system - a situational awareness tool for Members and their brokers - provides voyage-critical information, including a bunker quality advisory service, a global view of continental and oceanic weather data, maritime security charts, major storm systems and a wealth of other data and information to help Member's optimise their voyage planning and execution.

Our Loss Prevention team is a key component of the West's service, providing support, expertise and guidance to our Members through seminars and training programmes, audits and, most importantly in this area, condition surveys which are conducted as part of West's continued efforts to maintain and improve ship standards.

West is proud to have industry-leading experts on pollution, who advise Members on all aspects of pollution prevention as well as delivering effective claims handing services to help minimise damage to the environment following an oil spillage. The Club regularly engages with industry groups to promote better shipping practices - including the IG's Sustainability Committee and the BIMCO Marine Environment Committee – as well as working alongside the other IG Clubs to engage industry and governments on all aspects of pollution prevention and claims handling.

As part of our commitment to minimising West's environmental impact, the Club recently moved to a new, more sustainable Head Office building in London, with ongoing building performance improvements and energy saving opportunities being pursued through the work of the building Energy Management Team. We also have in-house recycling and waste reduction initiatives in place.

Staff travel will be kept to a minimum and greater use of video conferencing technology made in future, to help balance how we keep in contact with our Members and maintain the deep relationships with them that are at the heart of our business.

We are also proud of our long-term charity programme, where we have committed to long-term partnerships with the Blue Marine Foundation to protect the Namibian Islands' Marine Protected Area (NIMPA) Project, as well as funding a seagoing science bursary with the National Oceanography Centre to ensure that future generations can continue to focus on these important issues.

National Oceanography Centre

BLUE MARINE FOUNDATION

Sustainability
(continued)

Social

West is fully focused on our social responsibilities to both our Members and our staff. We believe that this should be a key priority of the Club.

The Club provides training, support and guidance to our Members via our expanding Loss Prevention team on seafarer health and welfare, which includes regular publications promoting physical and mental well-being on board. We also proud of our long-term commitment to the Sailors' Society and specifically their 'Wellness at Sea' initiative, partnering with them to support seafarers all over the world. In addition, we continue to support more local charity events, including sponsoring two community projects, "Symplefsi" in Greece and "Feeding Hong Kong".

The Club ensures our Members meet their responsibilities under the Maritime Labour Convention 2006 (MLC) by providing financial security for certain obligations to abandoned seafarers and to those who are ill or injured.

We have been supporting our staff whilst working from home during the global pandemic, with priority on ensuring any staff experiencing a mental health issue or emotional distress receives the support and assistance they or their family require.

As part of this process, we have also offered flexible working where appropriate and ensured a comprehensive health and safety policy is in place across all our offices globally.

We are working to ensure gender balance across the Club, with the current ratio 54% female and 46% male employees underlining our commitment to equality.

Club's current employee gender ratio

Governance

West is committed to the promotion of ethical business practices and to providing a working environment that is characterised by dignity and respect for all our staff. We work closely with all our commercial partners to help ensure we all work to these common standards.

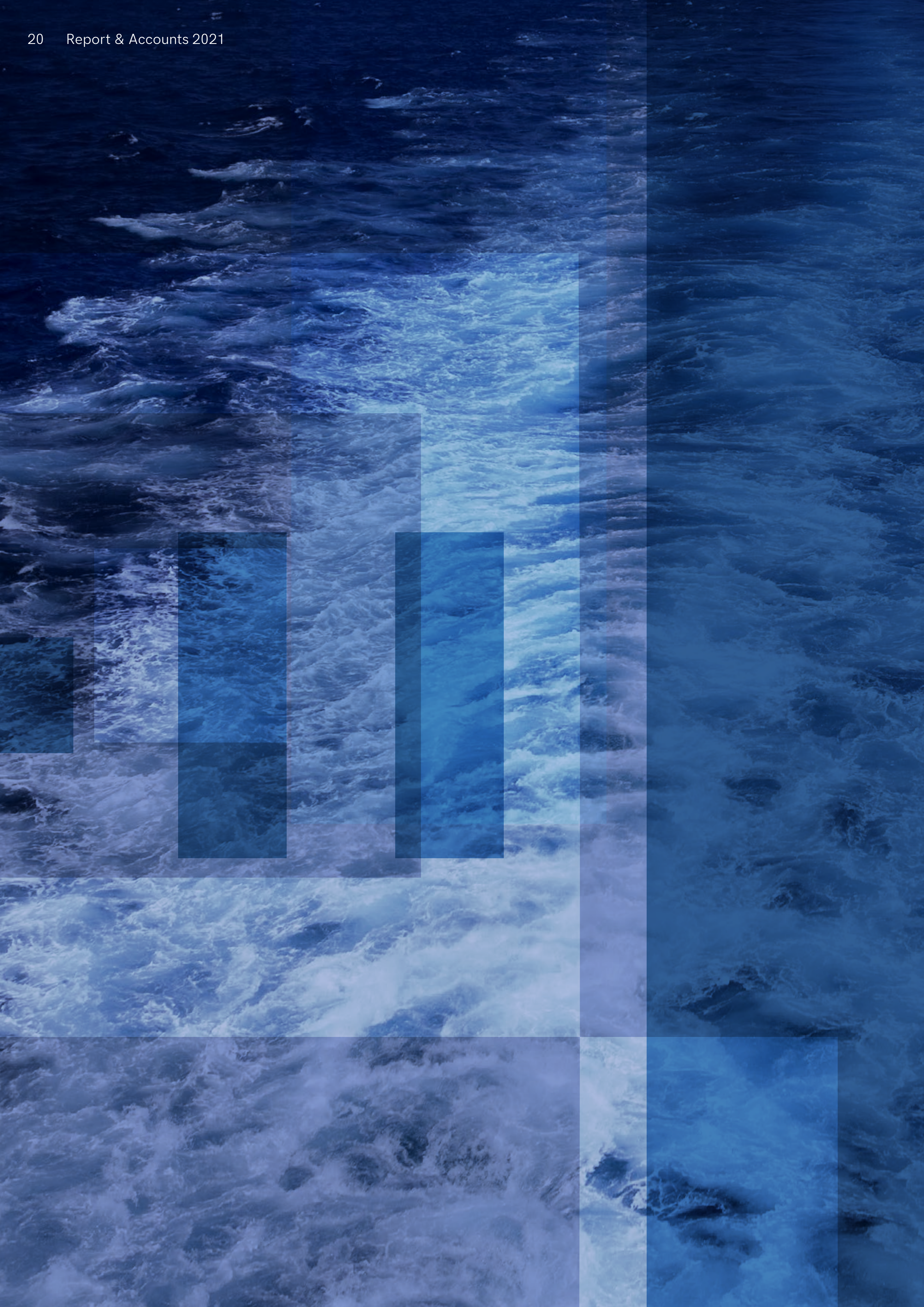
We have had whistleblowing and bribery and corruption policies are in place for some time, encouraging a culture where wrongdoing can be addressed quickly and ensuring that our business is conducted transparently and with integrity.

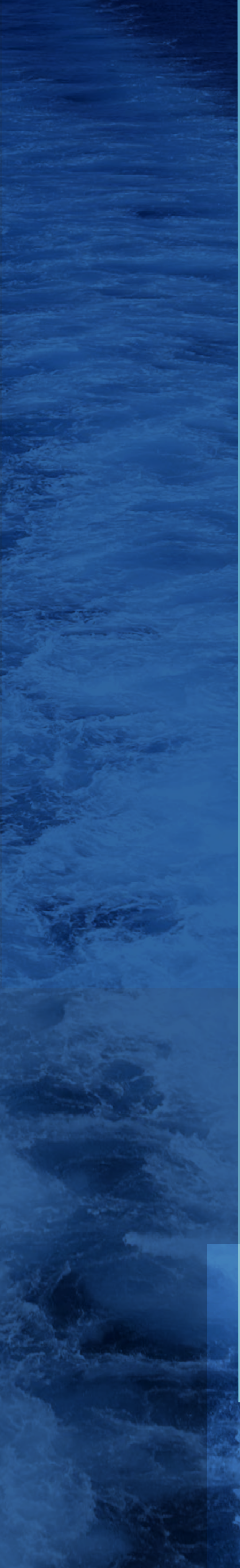
The Club is also actively engaged in helping our Members manage the impact of sanctions on their trades, with regular updates and information via our website and Neptune as well as the provision of individual advice on demand. Like all other IG Clubs, we deploy AIS tracking of vessels in certain areas that are a particularly high sanctions risk, which assists us in identifying any sanctions breaches and enabling improved reporting to the regulatory authorities.

Looking to the Future

West is striving towards embedding sustainability into every aspect of its business and we look forward to building on the significant progress already made. We welcome the renewed focus and direction provided through our ESG team and the further development of our ESG framework to help us meet our objectives.

These are challenging but exciting and transformative times and we will continue to support our staff, Members and stakeholders in the global challenge to move to a more sustainable future.





Consolidated Accounts and Report of the Reviseur d’Entreprises Agree

20 February 2021

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 6 July 2021 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 2021 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 2021

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
A AL Messabi	Abu Dhabi
V Bacolitsas	Athens
K S Bitnes	Oslo
A T Bush	Vancouver, WA
A M Cameron	Cork
D P Dandolos	Athens
T Frisell	London
O Lennox-King	Hong Kong
T Mazarakis	New York
Y S Niotis	Athens
M Papachristodoulou	Piraeus
L M Perrella	Montreal
P Philis	Limassol
S Popravko	Limassol
T Tokgoz	Istanbul
P S Vago	Geneva
E S Yordanov	Varna

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Telephone: +(44) (0)20 7716 6000
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L-1661 Luxembourg

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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 2021.

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.

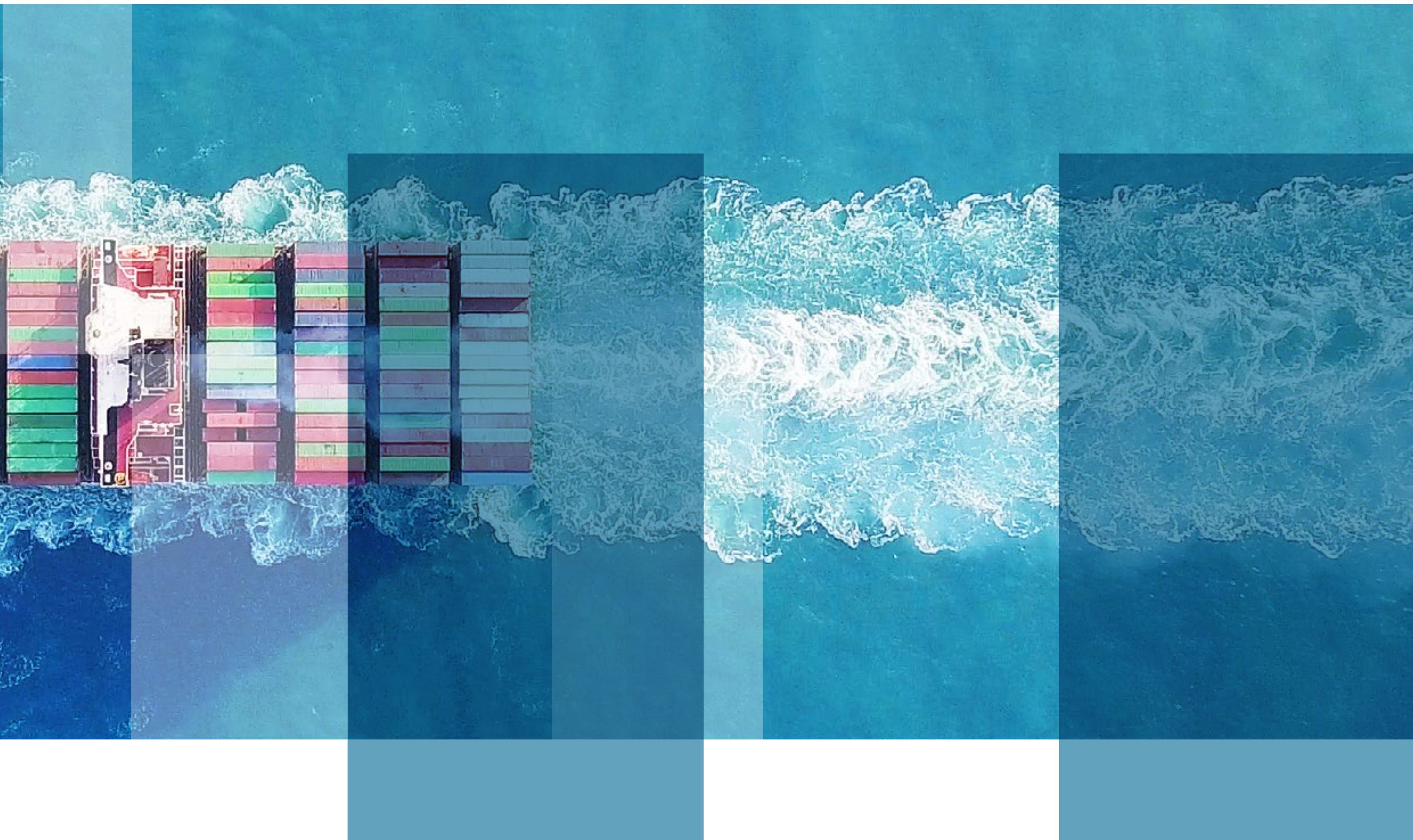
The Association's two wholly owned subsidiaries, International Shipowners Reinsurance Company S.A. and The West of England Reinsurance (Hamilton) Limited (registered and domiciled in Luxembourg and Bermuda respectively), have continued to provide reinsurance of the Association.

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 will continue to maintain and develop its activities as above. There have been no significant events after the balance sheet date.

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, 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 and market 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 2021 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.

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.

Report of the Directors (continued)

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 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 terms of geographical exposure and in terms 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.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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 38 to 61 with the principal accounting policies summarised on pages 44 to 46. 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 deficit for the year of $47.3 million (2020 $31.5 million surplus). Total reserves at 20 February 2021 are $291.1 million (2020 $338.1 million).

Evaluation of Covid-19 Pandemic

Since the "COVID-19" pandemic began in the early part of 2020, the Directors have closely monitored the potential impacts linked to the health crisis on the financial position and performance of the Association. The Directors have not identified any significant impacts on the consolidated annual accounts as at 20 February 2021 that require additional disclosure or that could cast significant doubt on the Association's ability to continue as a going concern.

Directors

The present Directors of the Association, who are listed on page 25, 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 6 July 2021 the Directors will propose a resolution for the re-appointment of Deloitte Audit *Société à responsabilité limitée* for the year commencing 20 February 2021.

By order of the Board

T Brevet
Secretary

12 May 2021

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To the Members of The West of England
Ship Owners Mutual Insurance Association
(Luxembourg)
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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 2021, 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 2021, 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 Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for 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 alterations in underlying assumptions may have a material

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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 2021 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 May 12, 2021.

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 12 June 2020 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 6 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

21 May 2021

Consolidated Accounts

Consolidated Balance Sheet

at 20 February 2021

	Note(s)	**2021 $'000**	2020 $'000
Assets			
Intangible assets			
Goodwill	4	**4,634**	-
		4,634	-
Investments			
Land and buildings	5	**11,105**	11,065
Investments in affiliated undertakings and participating interests	6		
Participating interests		**3,482**	-
Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest		**1,087**	-
Other financial investments	7	**669,730**	628,940
		685,404	640,005
Reinsurers' share of technical provisions			
Provision for unearned premiums		**1,064**	890
Claims outstanding	15	**249,158**	137,470
		250,222	138,360
Debtors			
Member debtors	10	**39,902**	51,474
Reinsurance debtors	9	**4,194**	9,345
Other debtors	11	**2,111**	2,314
		46,207	63,133
Other assets			
Tangible assets	12	**1,820**	2,138
Cash at bank and in hand		**134,643**	78,618
		136,463	80,756
Prepayments and accrued income			
Accrued interest		**3,129**	3,215
Deferred acquisition costs		**861**	864
Other prepayments and accrued income		**921**	739
		4,911	4,818
Total Assets		**1,127,841**	927,072

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

	Note(s)	**2021 $'000**	2020 $'000

Liabilities

	Note(s)	2021 $'000	2020 $'000
Capital and reserves			
Revaluation Reserve	5, 21	**8,741**	8,496
Income and Expenditure Account	21	**282,393**	329,651
		291,134	338,147
Technical provisions			
Provision for unearned premiums		**5,442**	6,523
Claims outstanding	15	**757,465**	548,719
		762,907	555,242
Creditors			
Member creditors		**58,708**	17,892
Reinsurance creditors		**3,431**	3,638
Other creditors	13	**11,661**	12,153
		73,800	33,683
Total Liabilities		**1,127,841**	927,072

Chairman

Director

12 May 2021

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

Consolidated Income and Expenditure Account

for the year ended 20 February 2021

	Note(s)	**2021 $'000**	**2021 $'000**	2020 $'000	2020 $'000
Technical Account					
Earned premiums, net of reinsurance					
Gross premiums written		**241,956**		228,186	
Change in provision for unearned premiums		**1,081**		(6,523)	
Gross premium earned	14	**243,037**		221,663	
Outward reinsurance premiums		**(41,455)**		(40,798)	
Change in provision for unearned premiums, reinsurers' share		**174**		890	
Reinsurance premium ceded	14	**(41,281)**		(39,908)	
Earned premiums, net of reinsurance			**201,756**		181,755
Allocated investment return transferred from the non-technical account			**34,893**		45,820
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		**(162,230)**		(209,252)	
Reinsurers' share		**19,777**		54,980	
Net claims paid	15	**(142,453)**		(154,272)	
Change in the provision for claims					
Gross amount		**(208,746)**		18,350	
Reinsurers' share		**111,688**		(20,804)	
Change in the net provision for claims	15	**(97,058)**		(2,454)	
Claims incurred, net of reinsurance			**(239,511)**		(156,726)
Net operating expenses					
Administrative expenses		**(12,366)**		(9,971)	
Acquisition Costs		**(30,237)**		(29,075)	
Change in deferred acquisition costs		**(3)**		864	
Net operating expenses	16		**(42,606)**		(38,182)
Balance on the technical account			**(45,468)**		32,667
Non-Technical Account					
Balance on the technical account			**(45,468)**		32,667
Investment income	18		**45,273**		52,231
Investment charges	18		**(10,380)**		(6,411)
Allocated investment return transferred to the technical account			**(34,893)**		(45,820)
(Deficit) / surplus on ordinary activities before tax			**(45,468)**		32,667
Tax on ordinary activities	19		**(1,790)**		(1,186)
(Deficit) / surplus on ordinary activities after tax			**(47,258)**		31,481

Consolidated Statement of Cash Flows

for the year ended 20 February 2021

	Note(s)	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Gross premiums received from Members		**253,527**	217,419
Reinsurance premiums paid		**(41,703)**	(41,238)
Gross claims paid		**(121,369)**	(211,912)
Reinsurance recoveries received		**24,927**	48,693
Operating expenses paid		**(42,674)**	(36,997)
Tax on ordinary activities paid		**(1,664)**	(3,779)
Net cash generated from / (used in) operating activities		**71,044**	(27,814)
Cash flows from investing activities			
Purchases of property and equipment	12	**(34)**	(2,024)
Proceeds from sale of property and equipment		**-**	50
Interest income received		**13,382**	13,577
Dividend income received		**2,325**	2,704
Investment management expenses paid		**(988)**	(877)
Net cash flows from investments in affiliated undertakings and participating interests		**(10,002)**	-
Net cash flows from shares and other variable yield securities and units in unit trusts		**7,963**	(5,170)
Net cash flows from debt securities and other fixed interest securities		**(30,505)**	(1,536)
Net cash (used in) / generated from investing activities		**(17,859)**	6,724
Net increase / (decrease) in cash at bank and in hand		**53,185**	(21,090)
Cash at bank and in hand as at beginning of year		**78,618**	100,948
Exchange gains / (losses) on cash at bank and in hand		**2,840**	(1,240)
Cash at bank and in hand as at end of year		**134,643**	78,618

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

Note to the Consolidated Statement of Cash Flows

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

	Note(s)	2021 $'000	2020 $'000
(Deficit) / surplus on ordinary activities after tax		**(47,258)**	31,481
Depreciation	16	**557**	558
Gain on fixed asset disposal	16	**-**	(28)
Exchange loss / (gain) on cash balances		**262**	(112)
Increase in net insurance liabilities	15	**97,058**	2,454
(Decrease) / increase in provision for unearned premiums		**(1,254)**	5,633
Decrease / (increase) in insurance and other debtors		**15,729**	(17,865)
Increase / (decrease) in insurance and other creditors		**40,843**	(4,115)
Investment income	18	**(45,273)**	(52,231)
Investment charges	18	**10,380**	6,411
Net cash generated from / (used in) operating activities		**71,044**	(27,814)

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 2021

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	11,105	669,730
Statutory consolidated accounts – Net book value	2,862	618,711

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 2021 and the results of the year ended on that date.

Group undertakings	Ownership %	Incorporated
Hydra Insurance Company Ltd. – The West of England Hydra Cell	100%	Bermuda
International Shipowners Reinsurance Company S.A.	100%	Luxembourg
The West of England Reinsurance (Hamilton) Limited	100%	Bermuda
The West of England Ship Owners' Insurance Services Limited	100%	United Kingdom
West of England (Hellas) Limited	100%	Jersey
West of England Insurance Services (North America) Inc.	100%	United States
West of England Claims Services (North America) Inc.	100%	United States
West of England Insurance Services (Luxembourg) S.A.	100%	Luxembourg
Nordisk Marinforskaring AB (Nordic Marine Insurance)	44.48%	Sweden
Astaara Company Limited	30%	United Kingdom

All group undertakings are fully consolidated with the exception of Nordisk Marinforskaring AB (Nordic Marine Insurance) and Astaara Company Limited which are consolidated using the equity method. The 50% share of the Association's participation in Qwest Maritime Limited has not been consolidated due to its immaterial value at 20 February 2021.

The West of England Ship Owners Mutual Insurance Association (Luxembourg) has guaranteed all outstanding liabilities as at 20 February 2021 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 2021. 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.

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, except for non-monetary assets which are converted at historical rate. 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.

Intangible assets

Intangible assets are amortised on a straight-line basis at a rate of 20% per year commencing from the first full year after acquisition.

Investments in affiliated undertakings and participating interests

Affiliated undertakings are considered to be the undertakings over which the Club exercises a dominant influence either directly or indirectly. Participating interests refer to rights contained in the capital of other undertakings which, when creating a durable link with those undertakings, are intended to contribute to the Club's activities.

3 Summary of Significant Accounting Policies (continued)

The shares held in affiliated undertakings and participating interests over which the Club exercises a significant influence over the operating and financial policies of the undertaking are valued using the equity method, at their initial cost adjusted by the proportional share of the undertaking's net profit or loss. Debt Securities issued by, and loans to, affiliated undertakings are stated at nominal value. Value adjustments are made if it is expected that recoverability is impaired and that reduction in value is of permanent nature.

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 be doubtful.

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 the 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 in accordance with the advice of qualified actuaries and a plan approved by the UK pensions regulator. 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 Intangible assets	2021 Goodwill $'000	2020 Goodwill $'000
Cost		
At beginning of year	-	-
Additions	4,634	-
Disposals	-	-
At end of year	**4,634**	**-**
Accumulated depreciation		
At beginning of year	-	-
Provided during year	-	-
Disposals	-	-
At end of year	**-**	**-**
Net Book Value	**4,634**	-

5 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 2021 by Jones Lang LaSalle Ltd at HK$86.1 million ($11.1 million) (2020 HK$86.1 million / $11.1 million) and the resultant surplus on revaluation was taken to the Revaluation Reserve.

6 Investments in affiliated undertakings and participating interests

The movements during the financial year in respect of investments in affiliated undertakings and participating interests are as follows:

	Participating interests	Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest	2021 $'000 Total
Gross book value as at 20.02.2020	-	-	-
Additions during the year	4,214	1,087	5,301
Gross book value as at 20.02.2021	**4,214**	**1,087**	**5,301**
Accumulated profits / (losses) allocated under the Equity Method as at 20.02.2020	-	-	-
Allocation during the year	(732)	-	(732)
Accumulated profits / (losses) allocated under the Equity Method as at 20.02.2021	**(732)**	**-**	**(732)**
Net book value 20.02.2021	**3,482**	**1,087**	**4,569**
Net book value 20.02.2020	-	-	-

Participating interests at 20 February 2021, with details of the cost and market value held by the Association, are:

	2021 $'000 Book Value	2021 $'000 Cost	2020 $'000 Book Value	2020 $'000 Cost
Nordic Marine Insurance	1,514	1,580	-	-
Astaara Company Limited	1,968	2,634	-	-
	3,482	**4,214**	-	-

7 Other financial investments	2021 $'000 Market Value	2021 $'000 Cost	2020 $'000 Market Value	2020 $'000 Cost
Shares and other variable yield transferable securities and units in unit trusts	**119,655**	**95,668**	117,090	99,067
Debt securities and other fixed income transferable securities	**550,075**	**523,977**	511,850	492,718
	669,730	**619,645**	628,940	591,785

Derivatives can be broken down as follows:

	2021 $'000 Contract/ notional amount	2021 $'000 Fair value asset	2021 $'000 Fair value liability	2020 $'000 Contract/ notional amount	2020 $'000 Fair value asset	2020 $'000 Fair value liability
Forward foreign exchange contracts	**33,813**	**145**	**234**	34,171	423	412

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 2021 forward foreign exchange positions comprise long US dollar positions in 16 currencies for a total value of $29.9 million (2020 $27.5 million) and short US dollar positions in 6 currencies for a total value of $3.9 million (2020 $6.7 million).

8 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 2021, the secured facilities for guarantees on behalf of Members, including an agreed margin where appropriate, amounted to $89.5 million (2020 $89.5 million) and guarantees issued against those facilities totalled $23.1 million (2020 $18.9 million).

Total bank guarantees and letters of credit issued on behalf of the Association at 20 February 2021 were:

	2021 $ million	2020 $ million
On behalf of Members	**23.1**	18.9
Letters of credit and other guarantees	**5.8**	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 2021, the Association has an outstanding commitment to subscribe shares in an investment fund for a value of $13.5 million (2020 $9.4 million) and has committed to the future use of office space for a value of $12.2 million (2020 $13.7 million).

9 Reinsurance debtors	**2021 $'000**	2020 $'000
Recoveries from other members of the International Group of P&I Clubs	**896**	3,405
Recoveries from the Group Excess Loss reinsurance	**257**	430
Other reinsurances	**3,041**	5,510
	4,194	9,345

10 Member debtors	**2021 $'000**	2020 $'000
Member debtors	**39,902**	51,474
	39,902	51,474

Ageing analysis

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

	2021 $'000	2020 $'000
Neither past due nor impaired	**35,473**	37,260
Overdue for up to 3 months	**3,521**	10,041
Overdue for over 3 months	**908**	4,173
	39,902	51,474

11 Other debtors	**2021 $'000**	2020 $'000
Investment debtors	**435**	713
Hong Kong Profits Tax	**732**	736
Other debtors	**944**	865
	2,111	2,314

12 Tangible assets	2021 Motor Vehicles $'000	2021 Fixtures and Fittings $'000	2021 Total $'000
Cost			
At beginning of year	260	3,068	3,328
Additions	-	34	34
Disposals	-	-	-
At end of year	**260**	**3,102**	**3,362**
Accumulated depreciation			
At beginning of year	156	1,034	1,190
Provided during year	41	311	352
Disposals	-	-	-
At end of year	**197**	**1,345**	**1,542**
Net Book Value	**63**	**1,757**	**1,820**

	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

13 Other creditors	**2021 $'000**	2020 $'000
UK Corporation Tax	**664**	673
Luxembourg municipal and state taxes	**262**	193
Accrued expenses	**1,487**	1,608
Investment creditors	**734**	721
Other creditors	**8,514**	8,958
	11,661	12,153

Other creditors include $778,200 (2020 $744,300) becoming due and payable after one year. All other creditors are payable within one year.

14 Earned premiums, net of reinsurance

				2021 $'000
	Class 1	Class 2	Other	**Total**
Gross premiums by policy year				
Policy year 2020/21	227,888	12,215	20	**240,123**
Policy year 2019/20	1,059	1,132	-	**2,191**
Policy year 2018/19	393	64	-	**457**
Other	271	(5)	-	**266**
Total gross premiums	229,611	13,406	20	**243,037**
Reinsurance premiums	(39,947)	(1,334)	-	**(41,281)**
Earned premiums, net of reinsurance	**189,664**	**12,072**	**20**	**201,756**

			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

15 Insurance claims and loss adjustment expenses	2021 $'000 Class 1	2021 $'000 Class 2	2021 $'000 Other	2021 $'000 Total
Gross claims paid and loss adjustment expenses				
- Members' claims	119,515	11,052	-	**130,567**
- International Group of P&I Clubs	31,663	-	-	**31,663**
	151,178	11,052	-	**162,230**
Reinsurance recoveries on claims paid				
- Recoveries from other members of the International Group of P&I Clubs	(5,837)	-	-	**(5,837)**
- Recoveries from the Group Excess Loss reinsurance programme	(2,407)	-	-	**(2,407)**
- Recoveries from other reinsurances	(9,933)	(1,600)	-	**(11,533)**
Reinsurance recoveries on claims paid	(18,177)	(1,600)	-	**(19,777)**
Net claims paid and loss adjustment expenses	**133,001**	**9,452**	**-**	**142,453**
Insurance liabilities, gross	**744,415**	**13,023**	**27**	**757,465**
Reinsurers' share of insurance liabilities				
- Recoveries from other members of the International Group of P&I Clubs	(162,812)	-	-	**(162,812)**
- Recoveries from the Group Excess Loss reinsurance programme	(19,190)	-	-	**(19,190)**
- Recoveries from other reinsurances	(66,282)	(874)	-	**(67,156)**
Reinsurers' share of insurance liabilities	(248,284)	(874)	-	**(249,158)**
Net insurance liabilities carried forward	**496,131**	**12,149**	**27**	**508,307**
Net insurance liabilities brought forward	401,384	9,865	-	411,249
Change in the net provision for insurance liabilities	**94,747**	**2,284**	**27**	**97,058**
Net insurance claims and loss adjustment expenses	**227,748**	**11,736**	**27**	**239,511**

	2021 $'000 Gross	2021 $'000 Reinsurance	2021 $'000 Net
Current year claims and loss adjustment expenses	363,213	(124,817)	**238,396**
Movement in cost of prior year claims and loss adjustment expenses	7,763	(6,648)	**1,115**
Total insurance claims and loss adjustment expenses	**370,976**	**(131,465)**	**239,511**
Claims paid and loss adjustment expenses	162,230	(19,777)	**142,453**
Change in the provision for insurance liabilities	208,746	(111,688)	**97,058**
Total insurance claims and loss adjustment expenses	**370,976**	**(131,465)**	**239,511**

Claims outstanding includes $131.6 million (2020 $110.1 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.

	2020 $'000 Class 1	2020 $'000 Class 2	2020 $'000 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 Gross	2020 $'000 Reinsurance	2020 $'000 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

16 Operating expenses	2021 $'000	2020 $'000
Directors' fees	**332**	328
Auditor's remuneration	**382**	299
Other expenses	**11,095**	8,814
Depreciation	**557**	558
Profit on disposal of fixed assets	**-**	(28)
Administrative expenses	**12,366**	9,971
Acquisition costs	**30,237**	29,075
Change in deferred acquisition costs	**3**	(864)
	42,606	38,182

Remuneration granted to the Directors in respect of their duties and responsibilities during the financial year amounted to $332,381 (2020: $328,299). 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 2021 amount to $366,287 (2020: $283,839); the fees related to other assurance services provided including tax services and a report prepared in accordance with the International Standards on Related Services to agreed upon procedures ("ISRS") 4400 amount to $15,465 (2020: $14,700).

Included within acquisition costs is $19.0 million (2020: $17.0 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 2021 is 14.60% (2020: 14.60%).

17 Staff costs	2021 $'000	2020 $'000
Wages and salaries	**18,034**	16,527
Other staff related costs	**2,273**	1,912
Social security costs	**1,728**	1,593
Other pension costs	**2,606**	2,718
	24,641	22,750

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

	2021 Number	2020 Number
Claims	**62**	64
Underwriting	**47**	42
Administration	**40**	36
	149	142

Certain employees have accrued benefits under 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 and then was closed to future benefit accrual on 31 December 2020. The latter change was enacted in such a way as to have no impact on the accrued benefits in the Scheme. Employees commencing employment after 1 September 2016 and those in the Scheme when it was closed to further accrual on 31 December 2020 have had 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 2021, as shown below, at GBP 47.6 million (USD 66.7 million), (2020 GBP 48.6 million (USD 62.6 million)).

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

	2021 $'000	2020 $'000
Present value of Scheme liabilities	**(149,097)**	(142,098)
Market value of Scheme assets	**154,649**	150,392
Surplus in the Scheme	**5,552**	8,294

The principal assumptions underlying these valuations were:

	2021 % per annum	2020 % per annum
Discount rate	**1.7**	1.8
RPI inflation assumption	**3.1**	3.0
CPI inflation assumption (pre-2030)	**2.0**	2.1
CPI inflation assumption (2030 and onwards)	**3.0**	2.1
Limited price indexation pension increases	**2.9**	2.9

The average duration of the Scheme's liabilities is approximately 15 years (2020 16 years).

18 Investment income and charges	2021 $'000	2020 $'000
Investment income	**16,279**	18,847
Gains on realisation of investments	**5,708**	3,187
Net value adjustments on investments	**12,931**	27,320
Gains from forwards and exchange	**10,355**	2,877
Total investment income	**45,273**	52,231
Investment expenses (including management expenses)	**(2,598)**	(2,251)
Losses on realisation of investments	**(133)**	(251)
Losses from investments consolidated under equity value	**(732)**	-
Losses from forwards and exchange	**(6,917)**	(3,909)
Total investment charges	**(10,380)**	(6,411)
Total investment return	**34,893**	45,820

The investment return has been attributed as follows:

	2021 $'000	2020 $'000
Class 1	**29,208**	38,057
Class 2	**1,705**	2,198
The West of England Reinsurance (Hamilton) Limited	**3,980**	5,565
	34,893	45,820

19 Tax on ordinary activities	2021 $'000	2021 $'000	2020 $'000	2020 $'000
Luxembourg municipal and state taxes		**(437)**		(65)
Hong Kong Profits Tax		**-**		-
Singapore Income Tax		**-**		-
UK Corporation Tax:				
Current tax on income for the year	**(1,046)**		(1,168)	
Adjustment in respect of prior years	**(63)**		165	
		(1,109)		(1,003)
Other taxes		**(244)**		(118)
		(1,790)		(1,186)

20 Summarised Income and Expenditure Account by Class				**2021 $'000**
	Class 1	**Class 2**	**Non-Class**	**Total**
Earned premiums, net of reinsurance (Note 14)	189,664	12,072	20	**201,756**
Claims incurred, net of reinsurance (Note 15)	(227,748)	(11,736)	(27)	**(239,511)**
Net operating expenses (Note 16)	(39,463)	(3,042)	(101)	**(42,606)**
	(77,547)	(2,706)	(108)	**(80,361)**
Investment return, net of tax (Notes 18 and 19)	27,517	1,606	3,980	**33,103**
Deficit / (surplus) for the financial year	**(50,030)**	**(1,100)**	**3,872**	**(47,258)**

				2020 $'000
	Class 1	Class 2	Non-Class	Total
Earned premiums, net of reinsurance (Note 14)	170,821	10,934	-	181,755
Claims incurred, net of reinsurance (Note 15)	(150,128)	(6,598)	-	(156,726)
Net operating expenses (Note 16)	(35,390)	(2,733)	(59)	(38,182)
	(14,697)	1,603	(59)	(13,153)
Investment return, net of tax (Notes 18 and 19)	36,936	2,133	5,565	44,634
Surplus for the financial year	22,239	3,736	5,506	31,481

21 Reserves **2021 ($'000)**	**Revaluation Reserve**	**Income and Expenditure Account**	**Total reserves**
As at 20 February 2020	8,496	329,651	**338,147**
Revaluation	245	-	**245**
Exchange	-	-	**-**
Deficit for financial year (Note 20)	-	(47,258)	**(47,258)**
At 20 February 2021	**8,741**	**282,393**	**291,134**

2020 ($'000)	Revaluation Reserve	Income and Expenditure Account	Total reserves
As at 20 February 2019	8,201	298,172	306,373
Revaluation	295	-	295
Exchange	-	(2)	(2)
Surplus for financial year (Note 20)	-	31,481	31,481
At 20 February 2020	8,496	329,651	338,147

Revaluation Reserve by Class

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

	2021 $'000	2020 $'000
Class 1	**8,366**	8,133
Class 2	**375**	363
	8,741	8,496

Total Reserves by Class	**2021 $'000**	2020 $'000
Class 1	**199,332**	249,127
Class 2	**47,269**	48,358
Other reserves	**44,533**	40,662
Total reserves at 20 February	**291,134**	338,147

At 20 February 2021 other reserves consisted of reserves not specific to Class including The West of England Reinsurance (Hamilton) Limited and Nordic Marine Insurance.

22 Subsequent events

The Association has evaluated the period after the balance sheet date up to and including 12 May 2021, the date the consolidated accounts were approved by the Board, and determined that there were no subsequent events or transactions that required recognition or disclosure in the consolidated accounts.

23 Evaluation of Covid-19 pandemic

The Directors have not identified any significant impacts on the consolidated annual accounts as at 20 February 2021 requiring additional disclosure, as commented upon in the Report of Directors.

24 Class 1 policy year position at 20 February 2021 $'000	2018/19	2019/20	2020/21	Unallocated investment income	Total
Calls & premiums					
- Year to 20 February 2021	393	1,059	227,888	-	229,340
- Prior years	205,913	207,871	-	-	413,784
Gross premiums	**206,306**	**208,930**	**227,888**	**-**	**643,124**
Reinsurance premiums	(37,635)	(38,358)	(40,333)	-	(116,326)
Acquisition costs	(25,619)	(26,424)	(28,522)	-	(80,565)
Net premiums	**143,052**	**144,148**	**159,033**	**-**	**446,233**
Investment income	50,060	25,000	40,000	13,014	128,074
Net income	**193,112**	**169,148**	**199,033**	**13,014**	**574,307**
Net claims paid – Members	(99,509)	(59,869)	(33,783)	-	(193,161)
Net claims outstanding – Members	(42,898)	(82,914)	(143,089)	-	(268,901)
Net claims incurred – Members	**(142,407)**	**(142,783)**	**(176,872)**	**-**	**(462,062)**
Net claims paid – Pool	(20,040)	(18,746)	(10,315)	-	(49,101)
Net claims outstanding – Pool	(21,647)	(27,516)	(42,360)	-	(91,523)
Net claims incurred – Pool	**(41,687)**	**(46,262)**	**(52,675)**	**-**	**(140,624)**
Net claims paid	(119,549)	(78,615)	(44,098)	-	(242,262)
Net claims outstanding	(64,545)	(110,430)	(185,449)	-	(360,424)
Net claims incurred	**(184,094)**	**(189,045)**	**(229,547)**	**-**	**(602,686)**
Operating expenses	(9,017)	(8,762)	(10,868)	-	(28,647)
Net expenditure	**(193,111)**	**(197,807)**	**(240,415)**	**-**	**(631,333)**
Forecast balance on open years	**1**	**(28,659)**	**(41,382)**	**13,014**	**(57,026)**
Forecast balance on closed years					**256,358**
Forecast balance on Class 1 at 20 February 2021					**199,332**

Based on the position at 20 February 2021 a resolution will be put to the Board of Directors at their meeting on 12 May 2021 to allocate $40.0 million to policy year 2020/21 and $15.06 million to policy year 2018/19 and thereafter, under the same resolution, to close the 2018/19 policy year.

Release calls as a percentage of the estimated total mutual call have been set at 0% for policy year 2018/19, at 7.5% for policy year 2019/20 and at 15% for policy year 2020/21. The estimated yields of these 2019/20 and 2020/21 releases, if charged, would be $9.8 million and $21.6 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 2019/20 and to maintain policy year 2020/21 at 15%.

24 Class 1 policy year position at 20 February 2021 (continued)

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

(a) Disclosure relating to calls	2018/19 $'000	2019/20 $'000	2020/21 $'000
Estimated product of a 10% supplementary call	13,060	13,064	14,391

The supplementary call products shown take account of calls already charged, and Members released, at 20 February 2021 and therefore do not represent 10% of the original mutual call for each year.

(b) Disclosure relating to claims paid	2018/19 $'000	2019/20 $'000	2020/21 $'000
Claims paid - own business	(129,431)	(63,366)	(33,783)
Claims paid - other clubs' Pool claims	(20,040)	(18,746)	(10,315)
Gross claims paid	(149,471)	(82,112)	(44,098)
Recoveries from the Pool	29,922	-	-
Recoveries from the Group Excess Loss reinsurance programme	-	-	-
Recoveries from other reinsurances	-	3,497	-
Reinsurance recoveries on claims paid	29,922	3,497	-
Net claims paid	**(119,549)**	**(78,615)**	**(44,098)**

(c) Disclosure relating to claims outstanding	Closed Years $'000	2018/19 $'000	2019/20 $'000	2020/21 $'000	**Total $'000**
Outstanding claims – own business	(163,576)	(91,170)	(89,663)	(267,906)	**(612,315)**
Outstanding claims – other clubs' Pool claims	(40,577)	(21,647)	(27,516)	(42,360)	**(132,100)**
Gross outstanding claims (Note 15)	(204,153)	(112,817)	(117,179)	(310,266)	**(744,415)**
Recoveries from the Pool	17,764	36,354	6,684	102,010	**162,812**
Recoveries from the Group Excess Loss reinsurance programme	19,190	-	-	-	**19,190**
Recoveries from other reinsurances	31,492	11,918	65	22,807	**66,282**
Reinsurance recoveries on outstanding claims (Note 15)	68,446	48,272	6,749	124,817	**248,284**
Net claims outstanding	(135,707)	(64,545)	(110,430)	(185,449)	**(496,131)**

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.

25 Class 2 policy year position at 20 February 2021 $'000	2017/18	2018/19	2019/20	2020/21	Unallocated investment income	Total
Calls & premiums						
- Year to 20 February 2021	(9)	64	1,132	12,215	-	13,402
- Prior years	12,339	12,507	11,553	-	-	36,399
Gross premiums	**12,330**	**12,571**	**12,685**	**12,215**	**-**	**49,801**
Reinsurance premiums	(966)	(1,052)	(1,149)	(1,333)	-	(4,500)
Acquisition costs	(1,442)	(1,611)	(1,557)	(1,597)	-	(6,207)
Net premiums	**9,922**	**9,908**	**9,979**	**9,285**	**-**	**39,094**
Investment income	-	-	-	-	12,982	12,982
Net income	**9,922**	**9,908**	**9,979**	**9,285**	**12,982**	**52,076**
Net claims paid	(6,216)	(6,618)	(5,596)	(1,725)	-	(20,155)
Net claims outstanding	(953)	(920)	(2,317)	(7,097)	-	(11,287)
Net claims incurred	**(7,169)**	**(7,538)**	**(7,913)**	**(8,822)**	**-**	**(31,442)**
Administration expenses	(1,201)	(1,204)	(1,150)	(1,396)	-	(4,951)
Net expenditure	**(8,370)**	**(8,742)**	**(9,063)**	**(10,218)**	**-**	**(36,393)**
Forecast balance on open years	**1,552**	**1,166**	**916**	**(933)**	**12,982**	**15,683**
Forecast balance on closed years						**31,586**
Forecast balance on Class 2 at 20 February 2021						**47,269**

Investment income includes all amounts earned up to 20 February 2021. Based on the position at 20 February 2021 a resolution will be put to the Board of Directors at their meeting on 12 May 2021 to close policy year 2017/18 in surplus without allocation of investment income.

Release calls as a percentage of estimated mutual call have been set at zero for open years 2017/18 and 2018/19, at 7.5% for 2019/20 and at 15% for 2020/21. 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 2019/20 to zero and to maintain 2020/21 at 15%.

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