

WEST.

# Report & Accounts

2022





# Section 1

# Key Facts



Free Reserve  
**\$251.2m**

Standard  
& Poor's  
**A-**  
rated security

Combined ratio  
**114%**  
exc Covid claims  
**101%**

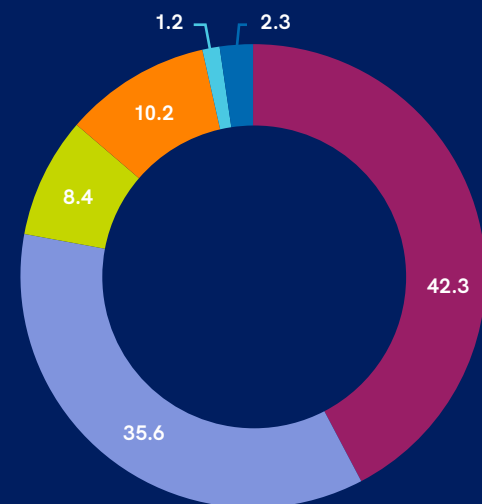
Solvency II SCR  
**163%**

Investment return  
**-0.9%**



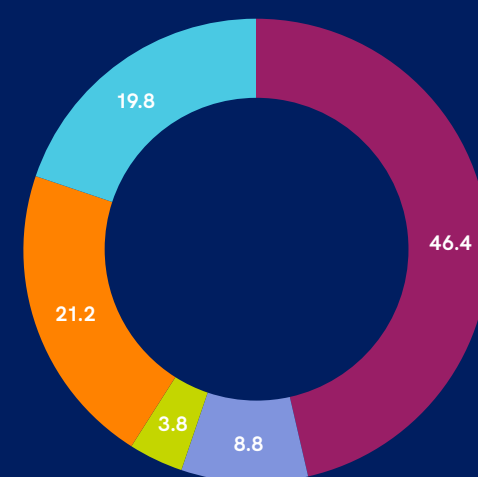
Entered Tonnage by Vessel Type %  
Policy Year 2022

Vessel Type  
 ■ Bulkers  
 ■ Tankers (incl. LPG/LNG)  
 ■ Containerships  
 ■ MPV/General Cargo  
 ■ Passenger  
 ■ Specialist Vessels & Misc

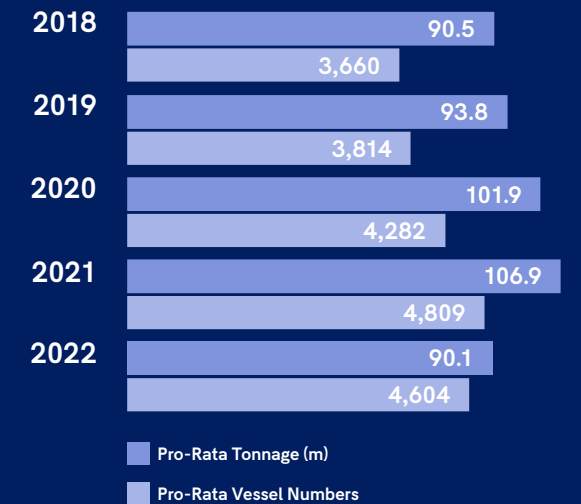


Entered Tonnage by Area of Management %  
Policy Year 2022

Geography  
 ■ Asia  
 ■ Middle East/Africa etc  
 ■ Americas  
 ■ Greece  
 ■ Other Europe



Mutual Tonnage and Vessel Numbers  
Policy Year 2022





Section 2

# Chairman's Statement



**I had hoped to begin my report this year on a more positive note as the world begins to emerge from the pandemic but the tragic events in Ukraine have had a devastating impact and the reverberations are being felt strongly throughout the world.**

We can only hope that the conflict will cease as quickly as possible and efforts to ease the suffering of its people and the rebuilding of a shattered infrastructure can begin. In the meantime we must continue to manage the impacts on the global insurance and shipping markets and the Club has been providing information and guidance to our Members throughout. The International Group, too, has been working in close cooperation and coordination with national and regional governments to help them understand the pivotal role P&I plays and the effects of the regulators' decisions on world trade.

Much of this effort has necessarily centred around sanctions as the major economies have acted in unison to implement an unprecedented package of sanctions against Russia in an effort to bring the conflict to an end. Sanctions are nothing new to the shipping industry of course as regulators have come to understand the fundamental role of shipping in facilitating the world economy and in turn of marine insurance in enabling ships to trade and these Russian sanctions join existing programmes that have been in place for many years against the likes of Iran, Venezuela, Syria and North Korea.

But unfortunately for those who have to abide by a myriad of regulations whilst trying to make commercial decisions these sanctions are often couched in opaque terms, making it difficult to draw clear conclusions around exactly what is permitted. Whilst recognising that no wording can cater for all scenarios it would be helpful in achieving our common aims if regulators could draft their regulations in unambiguous language and be prepared to provide clear guidance to industry when asked to do so. Creating grey areas helps no one.

These events have overshadowed an improved performance by the Club last year and our technical result saw a significant move in the right direction with the combined ratio at 114%. It is sobering to note, however, that despite the effects of Covid subsiding in many parts of the world, it still remains a very real issue for many including the world's seafarers. Without the impact of continuing Covid claims the Club's technical result would have been at a break-even point of 101%.

The large claims in the International Group Pool remain a significant concern, especially as the quantum of the very largest claims in the system continue what seems to be an inexorable rise over recent years.

These drags on all Clubs' Balance Sheets no longer look capable of being balanced by significant investment returns, as markets suffer from the effects of supply chain shocks, the conflict in Ukraine and central banks raising interest rates to try to combat rising inflation.

These factors saw the Club make a small investment loss last year but once again our conservative investment strategy insulated the Club against the worst fluctuations of a very febrile investment climate which unfortunately looks set to continue for the foreseeable future.

To directly address these significant head winds for all Clubs your Board decided to set a robust and highly targeted strategy for the renewal. We have repeatedly said for a number of years that premiums have been driven down to unsustainable levels, so our general increase was set as a strong signal to the market that rates must harden and we were not alone in taking this approach.



# Chairman’s Statement (continued)

It was also determined that a number of Members who did not contribute positively to the Club’s results over a prolonged period were not to be offered renewal terms and while it is never easy to part company with Members, particularly those who have been entered in the Club for many years, your Board was clear that these measures were necessary.

The strategy was successfully implemented by the Managers and the Club has consequently emerged in a much stronger position. Further work is required, particularly to continue to build industry rating levels back up to a level which reflects the risks underwritten, but we can be confident that the strong and decisive actions taken by your Board have equipped the Club to meet the challenges ahead of us for the benefit of our Members.

I wrote last year about the growing impacts of ESG and the Club has continued its work during the year to determine how sustainability can be embedded as a fundamental pillar of our business strategy and operations going forward, as well as how the Club can help guide its Members in their own challenges of meeting decarbonisation targets and generally operating in a changing world. I am pleased to say that an ESG Officer has been recruited for the Managers to help guide us on our journey and we can expect the Club’s voice in this vital area to continue to expand.

We are changing our reporting slightly this year in that the Report and Accounts will no longer be accompanied by a full Managers’ Review. Instead we intend publishing a Review later in the year and that will include a sustainability report, both to

highlight the measures that the Club already has in place as well as a roadmap for the future.

Our industry itself may also be changing with reports of a potential merger between two Group Clubs. Consolidations in the past have always been against a background of one party being in financial distress and a merger of two viable Clubs has not been achieved to-date. It remains to be seen whether this one is different and, crucially, what advantages for their respective memberships accrue from such a merger. Your Board keeps the Club’s strategic direction under close review and is agnostic about the benefits or otherwise of any merger or consolidation, but we will always act in the best interests of our Members and our corporate structure with the Club wholly owning the management company ensures that our Board’s interests and those of our Managers are completely aligned.

In that regard our own diversification initiatives continue in conjunction with our partners Astaara, Nordic and Qwest, especially now that we are able to travel and have face-to-face meetings with ship operators and brokers to help explain how these complimentary products and services can help manage risk and dispute resolution in their daily operations. But in addition to these ventures a continued strengthening in some of the Club’s other activities also merits recognition. In particular the fixed premium class has steadily grown and now represents a premium income of in excess of USD 15m, benefiting from its own dedicated and highly knowledgeable underwriting team.

We are now implementing a similar approach to pure charterers business. As always prudent underwriting is vital in everything we do to ensure that any new business to the Club meets our quality standards but the aim is to strategically grow our market share of these important segments.

During the year I was delighted to welcome Lisa-Marie Perrella and Thanassis Mazarakis who joined the Board from the Advisory Committee. Both bring a wealth of financial and operational experience and I look forward to their valuable contributions to the Club’s affairs.

The Advisory Committee saw Pierfrancesco Vago, Tristan Frisell, Sergey Popravko and Abdulkareem Al Mesabi step down and Gerry Kalogiratos and Kelly Moore join during the year. As always, I am indebted to all my hard-working Advisory Committee and Board colleagues who do so much to support and promote the Club.

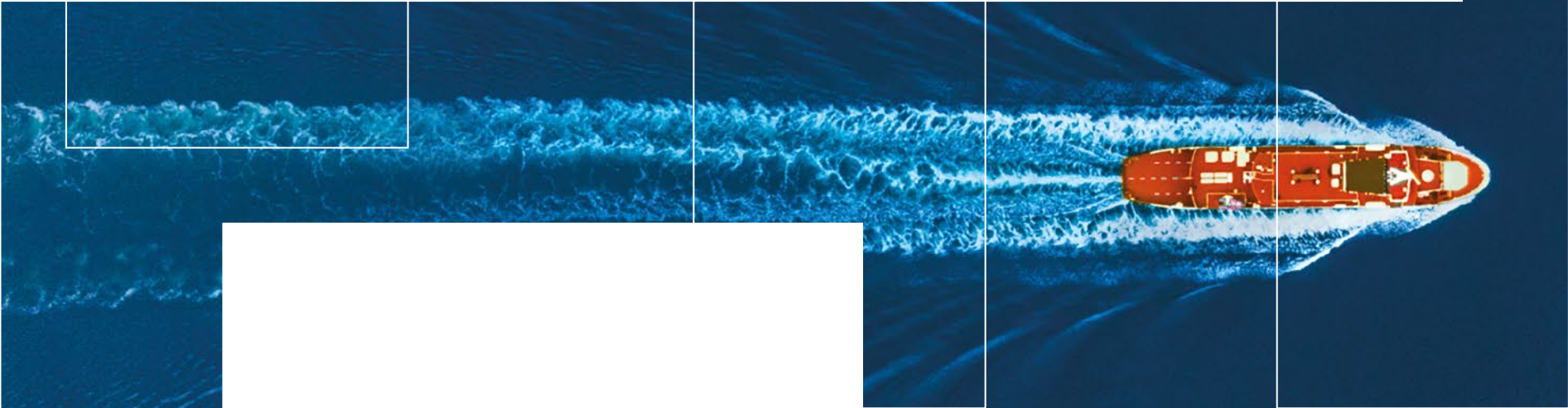
We also said farewell to Thierry Brevet who retired from the management team after successfully heading the Luxemburg office for over 7 years.

The baton has now been passed to Olivier Le Bescond. We thank Thierry for his dedication and good work and wish Olivier well in his new role.

My thanks must also go to Tom and his team. This has been another challenging year and they also faced having to implement a challenging renewal strategy that was in marked contrast to our peers in the market. They did so successfully and all the Board’s objectives were met, so my particular thanks to the Managers for that and all their continuing hard work – it is much appreciated by all our Members.

Let us finally hope that peace can be achieved in Ukraine soon and we can all return to a period of stability after the seismic shocks to the world system over recent years.

**F G Sarre**  
Chairman



# Consolidated Accounts and Report of the Reviseur d'Entreprises Agrée

20  
February  
2022

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# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg) will be held at 31, Grand-Rue, L-1661 Luxembourg on 12 July 2022 at 12:30 hours for the following purposes:

- 1.To approve the Report of the Directors and the Consolidated Accounts for the year ended 20 February 2022 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

O Le Bescond  
Secretary

31 Grand-Rue  
L-1661 Luxembourg

11 May 2022

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
T G Mazarakis	New York
L-M Perrella	Montreal
A M W Staring	Antwerp

## Advisory Committee Members

A M W Staring (Chairman)	Antwerp
V Bacolitsas	Athens
K S Bitnes	Oslo
A T Busch	Vancouver, WA
A M Cameron	Cork
D Dandolos	Athens
G Kalogiratos	Athens
O Lennox-King	Hong Kong
K C Moore	Bayonne, NJ
Y Niotis	Athens
M Papachristodoulou	Piraeus
P Philis	Limassol
T Tokgoz	Istanbul
E S Yordanov	Varna

## Managers

West of England Insurance Services (Luxembourg) S.A. (UK Branch) One Creechurch Lane London EC3A 5AF United Kingdom	Telephone: +(44) (0)20 7716 6000 E-mail: mail@westpandi.com
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## Secretary and Principal Office

O Le Bescond 31, Grand-Rue L-1661 Luxembourg	Telephone: +(352) 4700671 Fax: +(352) 225253
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## Registered Number

R.C.S. Luxembourg B 8963

## Auditor

Deloitte Audit <i>Société à responsabilité limitée</i> <i>Cabinet de révision agréé</i> 20 Boulevard de Kockelscheuer, L-1821 Luxembourg	Telephone: +(352) 451451
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# 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 2022.

## 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 S.a.r.l. (formerly 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.

## 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 the risk profile of 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 and 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.

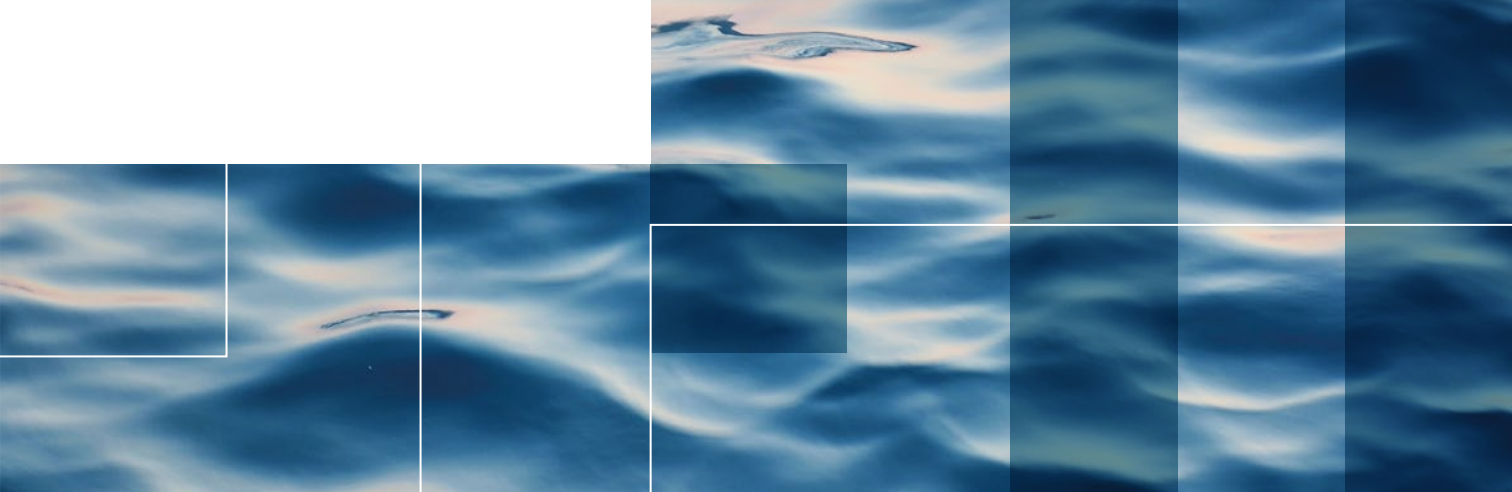
The Association’s insurance contracts include terms that operate to contain losses, such as deductibles being matched to the risk profile.

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).

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.



# Report of the Directors (continued)

### 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 2022 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.

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

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

#### ii. Asset/liability matching and interest rate risks

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

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

#### iii. Equity risk

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



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

#### iv. Property risk

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

Property risk is mitigated by ensuring a robust diversification within the Association's real estate investments, both in 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 including exposure to credit risk from the provision of Maritime Labour Convention certificates.

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.



# Report of the Directors (continued)

## 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.

## vi. 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.

## 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 21 to 45 with the principal accounting policies summarised on pages 28 to 30. 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 \$40.1 million (2021 \$47.3 million). Total reserves at 20 February 2022 are \$251.2 million (2021 \$291.1 million).

## Evaluation of Covid-19 Pandemic and the Russia / Ukraine Conflict

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. Likewise, the Directors have closely monitored the impacts of the Russia Ukraine conflict since it began in February 2022 which has resulted, amongst other things, in sanctions against Russia. The Association does have some exposure to Russia through its underwriting business but, having considered both events, the Directors have not identified any significant impacts on the consolidated accounts as at 20 February 2022 that require additional disclosure or that could cast significant doubt on the Association’s ability to continue as a going concern. Nevertheless, the Directors will continue to carefully monitor the effects of both on the financial position and performance of the Association.

## Directors

The present Directors of the Association, who are listed on page 11, held office throughout the year under review with the exception of Ms L-M Perrella and Mr T G Mazarakis who were appointed with effect from 18 January 2022.

The listed Advisory Committee Members held office throughout the year under review with the exception of Ms L-M Perrella and Mr T G Mazarakis who resigned with effect from 18 January 2022, Mr P Vago with effect from 20 February 2022, Mr T Frisell with effect from 29 March 2022, Mr S Popravko with effect from 4 April 2022 and Mr A Al Mesabi with effect from 13 April 2022. Messrs G Kalogiratos and K C Moore were appointed with effect from 13 October 2021.

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.

## General Manager

Mr O Le Bescond was appointed General Manager and Company Secretary of the Association with effect from 12 October 2021. He replaced Mr T Brevet who, until his retirement, had held these positions for seven years.

## Directors and Officers Liability Insurance

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

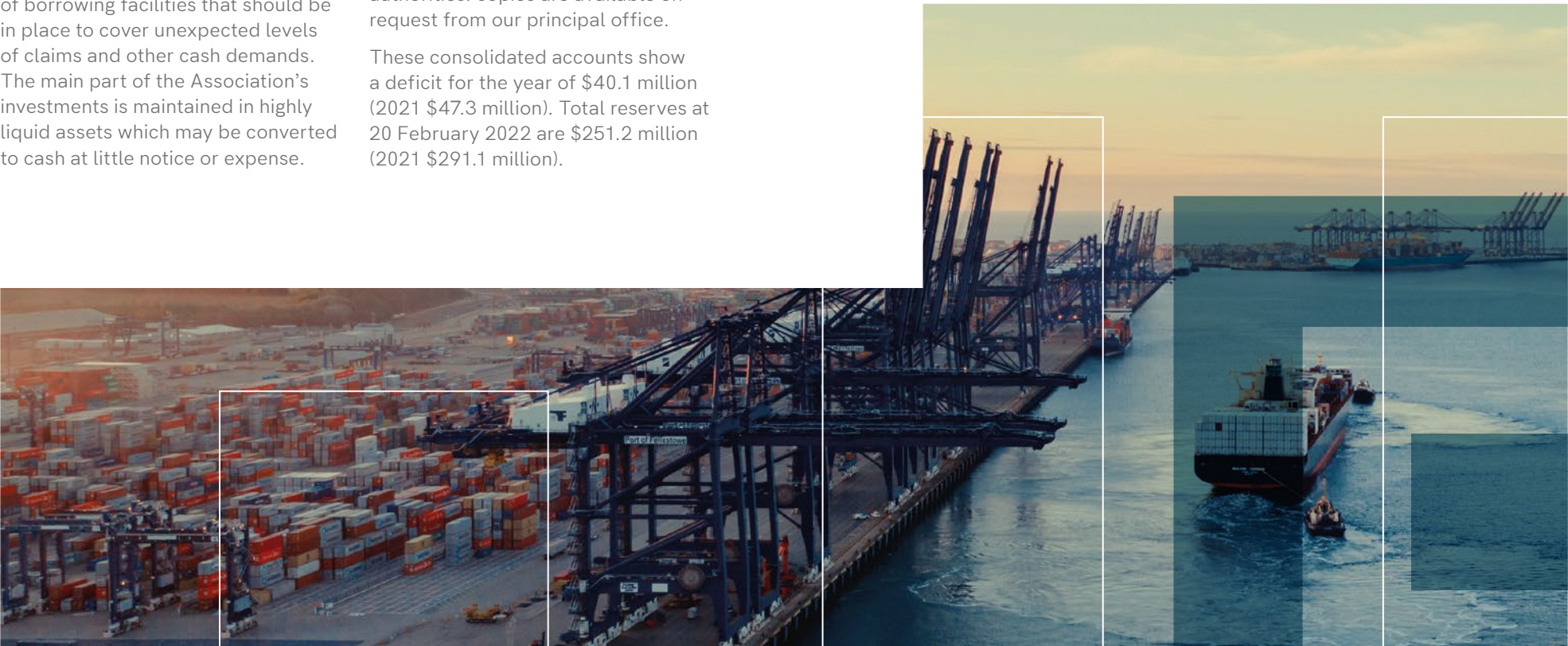
## Auditor

At the Annual General Meeting on 12 July 2022 the Directors will propose a resolution for the re-appointment of Deloitte Audit *Société à responsabilité limitée* for the year commencing 20 February 2022.

By order of the Board

O Le Bescond  
Secretary

11 May 2022





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

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Société à responsabilité limitée  
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L-1821 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 2022, 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 2022, 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 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 valuation of incurred but not reported (“IBNR”) claims reserves and the appropriate governance oversight in determining the key assumptions underpinning the valuation of incurred but not reported (“IBNR”) claims reserves.

We completed the procedures to assess the competence and objectivity of management’s actuarial experts 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 2022 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 25, 2022.

### 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.

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 6 July 2021 and the duration of our uninterrupted engagement, including previous renewals and reappointments, is 7 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*

**J Lecoq., réviseur d’entreprises agréé**  
Partner

25 May 2022

# Consolidated Accounts

# Consolidated Balance Sheet

at 20 February 2022

	Note(s)	2022 \$'000	2021 \$'000
Assets			
Intangible assets			
Goodwill	4	3,707	4,634
		3,707	4,634
Investments			
Land and buildings	5	11,038	11,105
Investments in affiliated undertakings and participating interests	6		
Participating interests		1,437	3,482
Affiliated undertakings		25	-
Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest		1,087	1,087
Other financial investments	7	637,467	669,730
		651,054	685,404
Reinsurers' share of technical provisions			
Provision for Unearned Premiums		1,388	1,064
Claims outstanding	15	162,085	249,158
		163,473	250,222
Debtors			
Member debtors	10	44,356	39,902
Reinsurance debtors	9	4,609	4,194
Other debtors	11	2,421	2,111
		51,386	46,207
Other assets			
Tangible assets	12	1,486	1,820
Cash at bank and in hand		148,750	134,643
		150,236	136,463
Prepayments and accrued income			
Accrued interest		2,958	3,129
Deferred acquisition costs		1,123	861
Other prepayments and accrued income		1,215	921
		5,296	4,911
Total Assets			
		1,025,152	1,127,841

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

	Note(s)	2022 \$'000	2021 \$'000
Liabilities			
Capital and reserves			
Revaluation Reserve	5, 21	8,884	8,741
Income and Expenditure Account	21	242,301	282,393
		251,185	291,134
Technical provisions			
Provision for Unearned Premiums		7,629	5,442
Claims outstanding	15	686,834	757,465
		694,463	762,907
Creditors			
Member creditors		62,148	58,708
Reinsurance creditors		5,281	3,431
Other creditors	13	12,075	11,661
		79,504	73,800
Total Liabilities			
		1,025,152	1,127,841

F G Sarre

Chairman

B Aagaard-Svendsen

Director

11 May 2022

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



# Consolidated Income and Expenditure Account

for the year ended 20 February 2022

	Note(s)	2022 \$'000	2022 \$'000	2021 \$'000	2021 \$'000
Technical Account					
Earned premiums, net of reinsurance					
Gross premiums written		268,644		241,956	
Change in provision for unearned premiums		(2,187)		1,081	
Gross premium earned	14	266,457		243,037	
Outward reinsurance premiums		(43,942)		(41,455)	
Change in provision for unearned premiums, reinsurers' share		324		174	
Reinsurance premium ceded	14	(43,618)		(41,281)	
Earned premiums, net of reinsurance					
Allocated investment return transferred from the non-technical account			(7,140)		34,893
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(207,723)		(162,230)	
Reinsurers' share		14,100		19,777	
Net claims paid	15	(193,623)		(142,453)	
Change in the provision for claims					
Gross amount		70,631		(208,746)	
Reinsurers' share		(87,073)		111,688	
Change in the net provision for claims	15	(16,442)		(97,058)	
Claims incurred, net of reinsurance					
			(210,065)		(239,511)
Net operating expenses					
Administrative expenses		(11,346)		(12,366)	
Acquisition costs		(33,783)		(30,237)	
Change in deferred acquisition costs		262		(3)	
Net operating expenses	16		(44,867)		(42,606)
Balance on the technical account			(39,233)		(45,468)
Non-Technical Account					
Balance on the technical account			(39,233)		(45,468)
Investment income	18		22,630		45,273
Investment charges	18		(29,770)		(10,380)
Allocated investment return transferred to the technical account			7,140		(34,893)
Deficit on ordinary activities before tax			(39,233)		(45,468)
Tax on ordinary activities	19		(859)		(1,790)
Deficit on ordinary activities after tax			(40,092)		(47,258)

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

# Consolidated Statement of Cash Flows

for the year ended 20 February 2022

	Note(s)	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Gross premiums received from Members		264,190	253,527
Reinsurance premiums paid		(43,586)	(41,703)
Gross claims paid		(202,792)	(121,369)
Reinsurance recoveries received		13,685	24,927
Operating expenses paid		(44,468)	(42,674)
Tax on ordinary activities paid		(1,437)	(1,664)
Net cash (used in) / generated from operating activities		(14,408)	71,044
Cash flows from investing activities			
Purchases of property and equipment	12	-	(34)
Proceeds from sale of property and equipment		64	-
Interest income received		12,151	13,382
Dividend income received		2,648	2,325
Investment management expenses paid		(1,007)	(988)
Net cash flows from investments in affiliated undertakings and participating interests		(1,475)	(10,002)
Net cash flows from shares and other variable yield securities and units in unit trusts		4,401	7,963
Net cash flows from debt securities and other fixed interest securities		12,967	(30,505)
Net cash generated from / (used in) investing activities		29,749	(17,859)
Net increase in cash at bank and in hand		15,341	53,185
Cash at bank and in hand as at beginning of year		134,643	78,618
Exchange (losses) / gains on cash at bank and in hand		(1,234)	2,840
Cash at bank and in hand as at end of year		148,750	134,643

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

# Note to the Consolidated Statement of Cash Flows

Reconciliation of deficit on ordinary activities after tax to net cash generated from operating activities

	Note(s)	2022 \$'000	2021 \$'000
Deficit on ordinary activities after tax		(40,092)	(47,258)
Depreciation	16	536	557
Gain on fixed asset disposal	16	(56)	-
Exchange (gain) / loss on cash balances		(221)	262
Increase in net insurance liabilities	15	16,442	97,058
Increase / (decrease) in provision for unearned premiums		1,863	(1,254)
(Increase) / decrease in insurance and other debtors		(5,658)	15,729
Increase in insurance and other creditors		5,638	40,843
Investment income	18	(22,630)	(45,273)
Investment charges	18	29,770	10,380
Net cash (used in) / generated from operating activities		(14,408)	71,044

# Notes to the Consolidated Accounts



# Notes to the Consolidated Accounts

for the year ended 20 February 2022

## 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	11,038	637,467
Statutory consolidated accounts – Net book value	2,808	597,477

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 below, at 20 February 2022 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 S.a.r.l.	100%	Luxembourg
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	37.5%	Guernsey
Qwest Maritime Limited	50%	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 2022.

## Classes and policy years

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

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

Activities relating to specific Classes, Class 1 and Class 2, and the activity relating to The West of England Reinsurance (Hamilton) Limited and Nordic Marine Insurance, which is not attributable to any Class of business, are disclosed separately in Note 20.

## 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.

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, undertakings with which an insurance undertaking is linked by virtue of a participating interest 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.

3 Summary of significant accounting policies Classes and policy years (continued)

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 unithised.

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	2022 Goodwill \$'000	2021 Goodwill \$'000
Cost		
At beginning of year	4,634	-
Additions	-	4,634
Disposals	-	-
At end of year	4,634	4,634
Accumulated depreciation		
At beginning of year	-	-
Provided during year	(927)	-
Disposals	-	-
At end of year	(927)	-
Net Book Value	3,707	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 2022 by Jones Lang LaSalle Ltd at HK\$86.1 million (\$11.0 million) (2021 HK\$86.1 million / \$11.1 million) and the resultant 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 and affiliated undertakings	Debt securities issued by, and loans to, undertakings with which an insurance undertaking is linked by virtue of a participating interest	2022 \$'000 Total
Gross book value as at 20.02.2021	4,214	1,087	5,301
Additions during the year	1,397	-	1,397
Gross book value as at 20.02.2022	5,611	1,087	6,698
Accumulated profits / (losses) as at 20.02.2021	(732)	-	(732)
Allocation under the Equity Method during the year	(78)	-	(78)
Impairment in Astaara Company Limited	(3,339)	-	(3,339)
Accumulated profits / (losses) as at 20.02.2022	(4,149)	-	(4,149)
Net book value 20.02.2022	1,462	1,087	2,549
Net book value 20.02.2021	3,482	1,087	4,569

Participating interests at 20 February 2022, with details of the cost and market value held by the Association, are:

	2022 \$'000 Book Value	2022 \$'000 Cost	2021 \$'000 Book Value	2021 \$'000 Cost
Nordic Marine Insurance	1,437	1,580	1,514	1,580
Astaara Company Limited	-	4,006	1,968	2,634
	1,437	5,586	3,482	4,214



Affiliated undertakings at 20 February 2022, with details of the cost and market value held by the Association, are:

	2022 \$'000 Book Value	2022 \$'000 Cost	2021 \$'000 Book Value	2021 \$'000 Cost
Qwest Maritime Limited	25	25	-	-
	25	25	-	-

7 Other financial investments	2022 \$'000 Market Value	2022 \$'000 Cost	2021 \$'000 Market Value	2021 \$'000 Cost
Shares and other variable yield transferable securities and units in unit trusts	124,621	93,601	119,655	95,668
Debt securities and other fixed income transferable securities	512,846	511,597	550,075	523,977
	637,467	605,198	669,730	619,645

Derivatives can be broken down as follows:

	2022 \$'000 Contract/ notional amount	2022 \$'000 Fair value asset	2022 \$'000 Fair value liability	2021 \$'000 Contract/ notional amount	2021 \$'000 Fair value asset	2021 \$'000 Fair value liability
Forward foreign exchange contracts	42,097	200	299	33,813	145	234

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 2022 forward foreign exchange positions comprise long US dollar positions in 19 currencies for a total value of \$36.2 million (2021 \$29.9 million) and short US dollar positions in 8 currencies for a total value of \$5.9 million (2021 \$3.9 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 2022, the secured facilities for guarantees on behalf of Members, including an agreed margin where appropriate, amounted to \$68.3 million (2021 \$89.5 million) and guarantees issued against those facilities totalled \$30.6 million (2021 \$23.1 million).

Total bank guarantees and letters of credit issued on behalf of the Association at 20 February 2022 were:

	2022 \$ million	2021 \$ million
On behalf of Members	30.6	23.1
Letters of credit and other guarantees	5.8	5.8

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

As at 20 February 2022, the Association has outstanding commitments to subscribe shares in two investment funds for a value of \$9.3 million (2021 \$13.5 million) and has committed to the future use of office space for a value of \$11.2 million (2021 \$12.2 million).

9 Reinsurance debtors	2022 \$'000	2021 \$'000
Recoveries from other members of the International Group of P&I Clubs	2,104	896
Recoveries from the Group Excess Loss reinsurance	271	257
Other reinsurances	2,234	3,041
	4,609	4,194

10 Member debtors	2022 \$'000	2021 \$'000
Member debtors	44,356	39,902
	44,356	39,902

Ageing analysis

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

	2022 \$'000	2021 \$'000
Neither past due nor impaired	34,832	35,473
Overdue for up to 3 months	6,310	3,521
Overdue for over 3 months	3,214	908
	44,356	39,902

11 Other debtors	2022 \$'000	2021 \$'000
Investment debtors	513	435
Hong Kong Profits Tax	732	732
UK Corporation Tax	117	-
Other debtors	1,059	944
	2,421	2,111

12 Tangible assets	2022 Motor Vehicles \$'000	2022 Fixtures and Fittings \$'000	2022 Total \$'000
Cost			
At beginning of year	260	3,102	3,362
Additions	-	-	-
Disposals	(114)	-	(114)
At end of year	146	3,102	3,248
Accumulated depreciation			
At beginning of year	197	1,345	1,542
Provided during year	42	285	327
Disposals	(107)	-	(107)
At end of year	132	1,630	1,762
Net Book Value	14	1,472	1,486

	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

13 Other creditors	2022 \$'000	2021 \$'000
UK Corporation Tax	-	664
Luxembourg municipal and state taxes	508	262
Accrued expenses	1,824	1,487
Investment creditors	798	734
Other creditors	8,945	8,514
	12,075	11,661

Other creditors include \$723,200 (2021 \$778,200) becoming due and payable after one year. All other creditors are payable within one year.

14 Earned premiums, net of reinsurance				2022 \$'000
	Class 1	Class 2	Other	Total
Gross premiums by policy year				
Policy year 2021/22	248,710	13,893	868	263,471
Policy year 2020/21	1,477	508	5	1,990
Policy year 2019/20	380	4	-	384
Other	534	78	-	612
Total gross premiums	251,101	14,483	873	266,457
Reinsurance premiums	(42,245)	(1,373)	-	(43,618)
Earned premiums, net of reinsurance	208,856	13,110	873	222,839

				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



15 Insurance claims and loss adjustment expenses	2022 \$'000	2022 \$'000	2022 \$'000	2022 \$'000
	Class 1	Class 2	Other	Total
Gross claims paid and loss adjustment expenses				
- Members' claims	155,275	9,469	269	165,013
- International Group of P&I Clubs	42,710	-	-	42,710
	197,985	9,469	269	207,723
Reinsurance recoveries on claims paid				
- Recoveries from other members of the International Group of P&I Clubs	(7,633)	-	-	(7,633)
- Recoveries from the Group Excess Loss reinsurance programme	(485)	-	-	(485)
- Recoveries from other reinsurances	(4,901)	(1,081)	-	(5,982)
Reinsurance recoveries on claims paid	(13,019)	(1,081)	-	(14,100)
Net claims paid and loss adjustment expenses	184,966	8,388	269	193,623
Insurance liabilities, gross	671,329	15,289	216	686,834
Reinsurers' share of insurance liabilities				
- Recoveries from other members of the International Group of P&I Clubs	(104,864)	-	-	(104,864)
- Recoveries from the Group Excess Loss reinsurance programme	(16,827)	-	-	(16,827)
- Recoveries from other reinsurances	(39,674)	(720)	-	(40,394)
Reinsurers' share of insurance liabilities	(161,365)	(720)	-	(162,085)
Net insurance liabilities carried forward	509,964	14,569	216	524,749
Net insurance liabilities brought forward	496,131	12,149	27	508,307
Change in the net provision for insurance liabilities	13,833	2,420	189	16,442
Net insurance claims and loss adjustment expenses	198,799	10,808	458	210,065

	2022 \$'000 Gross	2022 \$'000 Reinsurance	2022 \$'000 Net
Current year claims and loss adjustment expenses	243,259	(18)	243,241
Movement in cost of prior year claims and loss adjustment expenses	(106,167)	72,991	(33,176)
Total insurance claims and loss adjustment expenses	137,092	72,973	210,065
Claims paid and loss adjustment expenses	207,723	(14,100)	193,623
Change in the provision for insurance liabilities	(70,631)	87,073	16,442
Total insurance claims and loss adjustment expenses	137,092	72,973	210,065

Claims outstanding includes \$132.4 million (2021 \$131.6 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.

	2021 \$'000	2021 \$'000	2021 \$'000	2021 \$'000
	Class 1	Class 2	Other	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

16 Operating expenses	2022 \$'000	2021 \$'000
Directors' fees	452	332
Auditor's remuneration	370	382
Other expenses	10,044	11,095
Depreciation	536	557
Profit on disposal of fixed assets	(56)	-
Administrative expenses	11,346	12,366
Acquisition costs	33,783	30,237
Change in deferred acquisition costs	(262)	3
	44,867	42,606

Remuneration granted to the Directors in respect of their duties and responsibilities during the financial year amounted to \$452,280 (2021: \$332,381). 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 2022 amount to \$366,301 (2021: \$366,287); 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 \$3,846 (2021: \$15,465).

Included within acquisition costs is \$21.9 million (2021: \$19.0 million) in respect of commission.

In accordance with Schedule 3 of the International Group Agreement 2021, 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 2022 is 15.06% (2021: 14.60%).

17 Staff costs	2022 \$'000	2021 \$'000
Wages and salaries	19,364	18,034
Other staff related costs	2,543	2,273
Social security costs	1,785	1,728
Other pension costs	2,483	2,606
	26,175	24,641

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

	2022 Number	2021 Number
Claims	63	62
Underwriting	47	47
Administration	41	40
	151	149

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 2022, as shown below, at GBP 42.0 million (USD 57.1 million), (2021 GBP 47.6 million (USD 66.7 million)).

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

	2022 \$'000	2021 \$'000
Present value of Scheme liabilities	(127,078)	(149,097)
Market value of Scheme assets	142,313	154,649
Surplus in the Scheme	15,235	5,552

The principal assumptions underlying these valuations were:

	2022 % per annum	2021 % per annum
Discount rate	2.5	1.7
RPI inflation assumption	3.8	3.1
CPI inflation assumption (pre-2030)	2.8	2.0
CPI inflation assumption (2030 and onwards)	3.7	3.0
Limited price indexation pension increases	3.5	2.9

The average duration of the Scheme's liabilities is approximately 14 years (2021 15 years).



18 Investment income and charges	2022 \$'000	2021 \$'000
Investment income	16,078	16,279
Gains on realisation of investments	3,698	5,708
Net value adjustments on investments	-	12,931
Gains from forwards and exchange	2,854	10,355
Total investment income	22,630	45,273
Investment expenses (including management expenses)	(2,903)	(2,598)
Losses on realisation of investments	(158)	(133)
Losses from investments consolidated under equity value	(78)	(732)
Impairment of goodwill and investments	(4,267)	-
Net value adjustments on investments	(17,817)	-
Losses from forwards and exchange	(4,547)	(6,917)
Total investment charges	(29,770)	(10,380)
Total investment return	(7,140)	34,893

The investment return has been attributed as follows:

	2022 \$'000	2021 \$'000
Class 1	(6,530)	29,208
Class 2	(377)	1,705
The West of England Reinsurance (Hamilton) Limited	(233)	3,980
	(7,140)	34,893

19 Tax on ordinary activities	2022 \$'000	2022 \$'000	2021 \$'000	2021 \$'000
Luxembourg municipal and state taxes		(577)		(437)
Hong Kong Profits Tax		-		-
Singapore Income Tax		-		-
UK Corporation Tax:				
Current tax on income for the year	(46)		(1,046)	
Adjustment in respect of prior years	15		(63)	
		(31)		(1,109)
Other taxes		(251)		(244)
		(859)		(1,790)

20 Summarised Income and Expenditure Account by Class				2022 \$'000
	Class 1	Class 2	Non-Class	Total
Earned premiums, net of reinsurance (Note 14)	208,856	13,110	873	222,839
Claims incurred, net of reinsurance (Note 15)	(198,799)	(10,808)	(458)	(210,065)
Net operating expenses (Note 16)	(41,683)	(3,087)	(97)	(44,867)
	(31,626)	(785)	318	(32,093)
Investment return, net of tax (Notes 18 and 19)	(7,341)	(425)	(233)	(7,999)
(Deficit) / surplus for the financial year	(38,967)	(1,210)	85	(40,092)

				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)

21 Reserves 2022 (\$'000)	Revaluation Reserve	Income and Expenditure Account	Total reserves
As at 20 February 2021	8,741	282,393	291,134
Revaluation	143	-	143
Exchange	-	-	-
Deficit for financial year (Note 20)	-	(40,092)	(40,092)
At 20 February 2022	8,884	242,301	251,185

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

Revaluation Reserve by Class

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

	2022 \$'000	2021 \$'000
Class 1	8,501	8,366
Class 2	383	375
	8,884	8,741

Total Reserves by Class	2022 \$'000	2021 \$'000
Class 1	160,497	199,332
Class 2	46,069	47,269
Other reserves	44,619	44,533
Total reserves at 20 February	251,185	291,134

At 20 February 2022 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 11 May 2022, 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 and the Russia / Ukraine conflict

The Directors have not identified any significant impacts on the consolidated accounts as at 20 February 2022 requiring additional disclosure, as commented upon in the Report of Directors.

24 Class 1 policy year position at 20 February 2022 \$'000	2019/20	2020/21	2021/22	Unallocated investment income	Total
Calls & premiums					
- Year to 20 February 2022	380	1,477	248,710	-	250,567
- Prior years	208,930	227,888	-	-	436,818
Gross premiums	209,310	229,365	248,710	-	687,385
Reinsurance premiums	(38,360)	(39,421)	(43,147)	-	(120,928)
Acquisition costs	(26,418)	(28,772)	(31,421)	-	(86,611)
Net premiums	144,532	161,172	174,142	-	479,846
Investment income	25,000	40,000	-	5,809	70,809
Net income	169,532	201,172	174,142	5,809	550,655

Net claims paid – Members	(83,604)	(85,499)	(35,511)	-	(204,614)
Net claims outstanding – Members	(51,301)	(86,556)	(143,409)	-	(281,266)
Net claims incurred – Members	(134,905)	(172,055)	(178,920)	-	(485,880)

Net claims paid – Pool	(22,450)	(18,302)	(17,293)	-	(58,045)
Net claims outstanding – Pool	(19,259)	(37,634)	(36,326)	-	(93,219)
Net claims incurred – Pool	(41,709)	(55,936)	(53,619)	-	(151,264)

Net claims paid	(106,054)	(103,801)	(52,804)	-	(262,659)
Net claims outstanding	(70,560)	(124,190)	(179,735)	-	(374,485)
Net claims incurred	(176,614)	(227,991)	(232,539)	-	(637,144)

Operating expenses	(8,762)	(10,868)	(9,978)	-	(29,608)
Net expenditure	(185,376)	(238,859)	(242,517)	-	(666,752)

Forecast balance on open years	(15,844)	(37,687)	(68,375)	5,809	(116,097)
Forecast balance on closed years					276,594
Forecast balance on Class 1 at 20 February 2022					160,497

Based on the position at 20 February 2022 a resolution was put to the Board of Directors at their meeting on 13 April 2022 to close the 2019/20 policy year without further allocation of investment income and to transfer the closing deficit to the forecast balance on closed years.

Release calls as a percentage of the estimated total mutual call have been set at 0% for 2019/20, and 15% for policy years 2020/21 and 2021/22. The estimated yields of these 2020/21 and 2021/22 releases, if charged, would be \$27.8 million and \$30.5 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 were asked to review these releases for the remaining open years and decided to reduce policy year 2020/21 to 10% and to maintain policy year 2021/22 at 15%.



## 24 Class 1 policy year position at 20 February 2022 (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	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000
Estimated product of a 10% supplementary call	13,194	18,514	20,320

The supplementary call products shown take account of calls already charged, and Members released, at 20 February 2022 and therefore do not represent 10% of the original mutual call for each year.

(b) Disclosure relating to claims paid	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000
Claims paid - own business	(90,956)	(85,499)	(35,511)
Claims paid - other clubs' Pool claims	(22,450)	(18,302)	(17,293)
Gross claims paid	(113,406)	(103,801)	(52,804)

Recoveries from the Pool	3,759	-	-
Recoveries from the Group Excess Loss reinsurance programme	-	-	-
Recoveries from other reinsurances	3,593	-	-
Reinsurance recoveries on claims paid	7,352	-	-

Net claims paid	(106,054)	(103,801)	(52,804)
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(c) Disclosure relating to claims outstanding	Closed Years \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	Total \$'000
Outstanding claims – own business	(149,090)	(53,572)	(192,306)	(143,427)	(538,395)
Outstanding claims – other clubs' Pool claims	(39,715)	(19,259)	(37,634)	(36,326)	(132,934)
Gross outstanding claims (Note 15)	(188,805)	(72,831)	(229,940)	(179,753)	(671,329)

Recoveries from the Pool	17,217	2,219	85,410	18	104,864
Recoveries from the Group Excess Loss reinsurance programme	16,827	-	-	-	16,827
Recoveries from other reinsurances	19,282	52	20,340	-	39,674
Reinsurance recoveries on outstanding claims (Note 15)	53,326	2,271	105,750	18	161,365

Net claims outstanding	(135,479)	(70,560)	(124,190)	(179,735)	(509,964)
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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 2022 \$'000	2018/19	2019/20	2020/21	2021/22	Unallocated investment income	Total
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Calls & premiums						
- Year to 20 February 2022	17	4	508	13,893	-	14,422
- Prior years	12,571	12,685	12,215	-	-	37,471
<b>Gross premiums</b>	<b>12,588</b>	<b>12,689</b>	<b>12,723</b>	<b>13,893</b>	<b>-</b>	<b>51,893</b>
Reinsurance premiums	(1,052)	(1,149)	(1,333)	(1,373)	-	(4,907)
Acquisition costs	(1,612)	(1,556)	(1,636)	(1,776)	-	(6,580)
<b>Net premiums</b>	<b>9,924</b>	<b>9,984</b>	<b>9,754</b>	<b>10,744</b>	<b>-</b>	<b>40,406</b>
Investment income	-	-	-	-	12,565	12,565
<b>Net income</b>	<b>9,924</b>	<b>9,984</b>	<b>9,754</b>	<b>10,744</b>	<b>12,565</b>	<b>52,971</b>

Net claims paid	(7,512)	(6,900)	(5,523)	(1,581)	-	(21,516)
Net claims outstanding	(526)	(1,418)	(2,552)	(8,649)	-	(13,145)
<b>Net claims incurred</b>	<b>(8,038)</b>	<b>(8,318)</b>	<b>(8,075)</b>	<b>(10,230)</b>	<b>-</b>	<b>(34,661)</b>

Administration expenses	(1,204)	(1,150)	(1,396)	(1,271)	-	(5,021)
<b>Net expenditure</b>	<b>(9,242)</b>	<b>(9,468)</b>	<b>(9,471)</b>	<b>(11,501)</b>	<b>-</b>	<b>(39,682)</b>

<b>Forecast balance on open years</b>	<b>682</b>	<b>516</b>	<b>283</b>	<b>(757)</b>	<b>12,565</b>	<b>13,289</b>
<b>Forecast balance on closed years</b>						<b>32,780</b>
<b>Forecast balance on Class 2 at 20 February 2022</b>						<b>46,069</b>

Investment income includes all amounts earned up to 20 February 2022. Based on the position at 20 February 2022 a resolution was put to the Board of Directors at their meeting on 13 April 2022 to close policy year 2018/19 in surplus without allocation of investment income.

Release calls as a percentage of estimated mutual call have been set at zero for open years 2018/19 and 2019/20 and at 15.0% for 2020/21 and 2021/22. 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 2020/21 to 10% and to maintain 2021/22 at 15%.

# Global Coverage

Providing localised services to the world-wide membership.



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