

THE WEST OF ENGLAND SHIP OWNERS  
MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED

**ANNUAL REPORT & FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED 20 FEBRUARY 2013



REGISTERED NUMBER 22211

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED (Limited by Guarantee) Registered number 22211**

**NOTICE OF MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Members will be held in the Hotel Le Royal, 12 Boulevard Royal, 2449 Luxembourg, on Wednesday, 18 September 2013 at 12 00 hours, for the following purposes

- 1 To approve the Report of the Directors and the Financial Statements for the year ended 20 February 2013
- 2 To elect Directors
- 3 To re-appoint PricewaterhouseCoopers LLP as Auditors of the Association and to fix their remuneration
- 4 To transact any other ordinary business of the Association

By order of the Board

  
**R J B Searle**  
**Secretary**

Date 01 May 2013

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

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED (Limited by Guarantee) Registered number 22211**

**Directors**

L Tsangandes (Chairman)  
P R L Lorenz-Meyer  
M T Los

**Registered Office**

Tower Bridge Court  
226 Tower Bridge Road  
London  
SE1 2UP

Telephone 020 7716 6000

**Registered Number: 22211**

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London  
Riverside  
London  
SE1 2RT

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED (Limited by Guarantee) Registered number 22211**

**REPORT OF THE DIRECTORS for the year ended 20 February 2013**

The Directors present their annual report together with the audited financial statements of the Association for the year ended 20 February 2013

**Principal activity**

The principal activity of the Association during the year was the continued run off of the risks of Class 2, Freight, Demurrage and Defence

Pursuant to the reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg), this Association ceased to insure Class 2 risks after 20 February 1986 and from that date held all the assets of Class 2 as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg). The business of Class 2 relating to risks insured prior to 20 February 1986 continued to be reinsured by The West of England Reinsurance (Hamilton) Limited on a quota-share basis with the residual result being fully reinsured by The West of England Ship Owners Mutual Insurance Association (Luxembourg). From 20 February 1992, the reinsurance of Class 2 by The West of England Reinsurance (Hamilton) Limited ceased.

Also pursuant to the reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg), this Association ceased to insure Class 3 and Class 4 risks, Ships Officers and Crew Strikes and Port Area Strikes respectively, after 20 February 1987. The reinsurance of these Classes by The West of England Reinsurance (Hamilton) Limited ceased on 20 February 1992. The risks of Classes 3 and 4 are considered to be fully run off.

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with The West of England Ship Owners Mutual Insurance Association (Luxembourg), whereby that Association agrees to reinsure, indemnify and hold harmless this Association. In addition, this Association may require that the Luxembourg Association shall pay or discharge directly or put this Association in sufficient funds to pay any claim. As a result, all payments are being made directly by the Luxembourg Association.

**Financial statements**

The Income & Expenditure Account which is set out on pages 8 and 9 shows transactions resulting in a net amount receivable from The West of England Ship Owners Mutual Insurance Association (Luxembourg) by way of a reinsurance claim for Class 2 of \$18,215 (2012 \$30,207). In addition, there was a decrease of \$3,300 in the amount forecast to be recovered from the West of England Ship Owners Mutual Insurance Association (Luxembourg), (2012 \$7,700 increase).

These financial statements have been prepared in accordance with the provisions of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 relating to insurance companies and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers dated December 2005 (as amended December 2006).

**REPORT OF THE DIRECTORS for the year ended 20 February 2013 (continued)**

**Business review**

A Consolidated Policy Year Statement for Class 2 has been drawn up on the same basis as in previous years and is set out on pages 16 and 17. This incorporates the assets which were held by Class 2 of The West of England Reinsurance (Hamilton) Limited at 20 February 1992 and were transferred at that date to International Shipowners Reinsurance Company SA, a wholly owned subsidiary of The West of England Ship Owners Mutual Insurance Association (Luxembourg), and the income and expenditure since attributable to those assets.

The ultimate liability for outstanding and unnotified claims has been evaluated and the relevant figures have been incorporated in the Consolidated Policy Year Statement referred to above. A number of assumptions have been made in arriving at the ultimate claims liabilities and the underlying claims estimates on which they are based, and, to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly. The Board and Managers closely monitor the outstanding cases of which only 3 files now remain open (2012 - 3). The projected ultimate cumulative deficit of Class 2 is \$2.87 million (2012 \$2.85 million).

Under the terms of the reinsurance agreement, all claims are subject to the approval of The West of England Ship Owners Mutual Insurance Association (Luxembourg).

**Future developments**

The Directors do not anticipate any change to the principal activity of the Association and will continue to run-off the remaining risks of Class 2, Freight, Demurrage and Defence.

**Financial risk management objectives**

Schedule 7 of the Companies Act requires disclosure, where material, of the financial risk management objectives and policy of the Association and of its exposure to credit and liquidity risks. The Association is exposed to financial risk through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from policies as they fall due, however, the Association manages its policyholder liabilities in full by reinsurance and, because of this the impact of such financial risk is low.

**Credit and cash flow risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The key area where the Association is exposed to credit risk is the reinsurance with The West of England Ship Owners Mutual Insurance Association (Luxembourg). Because of the strong financial position of the reinsurer, this risk is regarded as low.

**Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The Association maintains sufficient cash balances and liquidity to manage anticipated liabilities and unexpected demand.

**REPORT OF THE DIRECTORS for the year ended 20 February 2013 (continued)**

**Principal risks**

The principal risks of the Association arise from inadequate reserving and the severity of claims compared to expectations. The open claims are assessed by a senior claims handler periodically throughout each year.

**Key performance indicators**

It is a requirement under Section 417 of the Companies Act 2006 for the Directors to disclose, to the extent necessary, the key performance indicators relevant for an understanding of the position and performance of the business. In view of the few remaining open claims within the outstanding claims projections, as referred to in the Business Review above, the Directors consider that the key objective is to run the remaining claims off at as little cost as possible. The key performance indicators, therefore, are the remaining number of open claims and the costs incurred in running off these claims.

	2013	2012
Number of open claims	3	3
Gross claims incurred	\$(1,796)	\$(11,950)
Other income and expenditure	\$(13,119)	\$(25,957)

**Directors**

The Directors of the Association who were in office at the date of signing the financial statements are listed on page 1. All these Directors held office throughout the period under review. In addition, Mr A Cooke retired with effect from 27 September 2012.

All of the Directors will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**Statement of disclosure of information to auditors**

The Directors confirm that, so far as they are aware, there is no relevant audit information of which the Association's auditors are unaware and that each Director has taken steps that ought to have been taken as Director to make himself aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

**REPORT OF THE DIRECTORS for the year ended 20 February 2013 (continued)**

**Statement of Directors' responsibilities**

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the profit or loss of the Association for that period. In preparing these financial statements, the Directors are required to

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Independent auditors**

A resolution to re-appoint PricewaterhouseCoopers LLP as auditors to the Association will be proposed at the Annual General Meeting.

**Proposed winding-up**

At a meeting of the Board of Directors on 6 February 2011, it was unanimously resolved that, subject to the receipt of legal advice, the Association should proceed to be wound-up. Certain legal advice was received, which raised a number of consequential issues on which further advice was required. The Board agreed that no further steps be taken to wind up the Association. The position remains fundamentally unchanged from last year.

By order of the Board



**R J B Searle**  
Secretary

Date 01 May 2013

**Independent auditors' report to the Members of  
The West of England Mutual Insurance Association (London) Limited**

We have audited the financial statements of The West of England Mutual Insurance Association (London) Limited for the year ended 20 February 2013 which comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

**Respective responsibilities of Directors and auditors**

As explained more fully in the Directors' Responsibilities Statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Association's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Association's affairs as at 20 February 2013 and of its result and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006



**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED (Limited by Guarantee) Registered number 22211**

**Independent auditors' report to the Members of  
The West of England Mutual Insurance Association (London) Limited (continued)**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

*Matthew*

Matthew Nichols (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

Date 1 May 2013

**INCOME & EXPENDITURE ACCOUNT**  
for the year ended 20 February 2013

<b>TECHNICAL ACCOUNT – General Business</b>	Note	<b>2013 Class 2 \$</b>	<b>2012 Class 2 \$</b>
<b>Allocated investment return transferred from the non-technical account</b>		<b>181</b>	<b>(95)</b>
<b>Total technical income</b>		<b>181</b>	<b>(95)</b>
<b>Claims paid</b>			
Gross amount		<b>(5,096)</b>	<b>(4,250)</b>
Reinsurers' share		<b>5,096</b>	<b>4,250</b>
		<b>-</b>	<b>-</b>
<b>Claims incurred net of reinsurance</b>			
Change in the provision for claims			
- gross amount		<b>3,300</b>	<b>(7,700)</b>
- reinsurers' share		<b>(3,300)</b>	<b>7,700</b>
		<b>-</b>	<b>-</b>
<b>Claims incurred net of reinsurance</b>		<b>-</b>	<b>-</b>
<b>Net operating expenses</b>	2	<b>(13,300)</b>	<b>(25,862)</b>
Reinsurers' share of other expenditure		<b>13,119</b>	<b>25,957</b>
<b>Total technical charges</b>		<b>(181)</b>	<b>95</b>
<b>Balance on the general business technical account</b>		<b>-</b>	<b>-</b>

The accompanying notes from page 12 to page 15 form an integral part of these financial statements

**INCOME & EXPENDITURE ACCOUNT**  
for the year ended 20 February 2013

<b>NON-TECHNICAL ACCOUNT</b>	Note	<b>2013 Class 2 \$</b>	<b>2012 Class 2 \$</b>
<b>Balance on the general business technical account</b>		-	-
Investment expenses and charges	4	-	(95)
Other income	4	<b>181</b>	-
Allocated investment return transferred to the general business technical account		<b>(181)</b>	95
<b>Surplus on ordinary activities before tax</b>		<hr style="width: 100%; border: 0.5px solid black;"/> -	<hr style="width: 100%; border: 0.5px solid black;"/> -
Tax on surplus on ordinary activities		-	-
<b>Surplus for financial year</b>		<hr style="width: 100%; border: 0.5px solid black;"/> - <hr style="width: 100%; border: 0.5px solid black;"/>	<hr style="width: 100%; border: 0.5px solid black;"/> - <hr style="width: 100%; border: 0.5px solid black;"/>

There are no Income & Expenditure Account movements for Classes 1, 3 and 4. There are no recognised gains or losses for the year other than those shown in the above Income & Expenditure Account and accordingly a Statement of Recognised Gains and Losses is not presented. All of the results are in respect of discontinued operations.

**Note of historical profits and losses**

There are no other differences between the profit on ordinary activities before tax or the profit for the financial year stated above and their historical cost equivalents.


The accompanying notes from page 12 to page 15 form an integral part of these financial statements.


THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
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**BALANCE SHEET**  
As at 20 February 2013

<b>ASSETS</b>	Note	<b>2013</b>	<b>2012</b>
		\$	\$
<b>Reinsurers' share of claims outstanding</b>		<b>52,800</b>	56,100
<b>Other assets</b>			
Cash at bank and in hand		<b>24,575</b>	24,145
<b>TOTAL ASSETS</b>		<u><b>77,375</b></u>	<u>80,245</u>
 <b>LIABILITIES</b>			
<b>Capital and reserves</b>			
Income & Expenditure Account		-	-
<b>Technical provisions</b>			
Claims outstanding		<b>52,800</b>	56,100
 <b>Creditors</b>			
Arising out of reinsurance operations	6	<b>9,421</b>	2,446
Other creditors including taxation and social security		<u><b>15,154</b></u>	<u>21,699</u>
		<u><b>24,575</b></u>	<u>24,145</u>
<b>TOTAL LIABILITIES</b>		<u><b>77,375</b></u>	<u>80,245</u>

The Financial Statements on pages 8 to 17 were approved by the Board of Directors on 01 May 2013  
And signed on its behalf by

Director  
  
L TSANBARIDES

Director  
  
M T LOS

The accompanying notes from page 12 to page 15 form an integral part of these financial statements

**CASH FLOW STATEMENT**  
for the year ended 20 February 2013

	Note	2013 \$	2012 \$
<b>Net cash inflow / (outflow) from operating activities</b>	3	430	(1,792)
<b>Returns on investments and servicing of finance</b>			
Interest received		-	-
<b>Net cash inflow / (outflow)</b>		<u>430</u>	<u>(1,792)</u>
<b>Cash flows were applied as follows</b>			
Increase / (decrease) in cash holdings		430	(1,792)
<b>Net application of cash flows</b>		<u>430</u>	<u>(1,792)</u>

The accompanying notes from page 12 to page 15 form an integral part of these financial statements

**Notes to the financial statements for the year-ended 20 February 2013**

**1 Accounting policies**

**General**

The financial statements have been prepared in accordance with applicable UK Accounting Standards. As stated in the Report of the Directors, the financial statements have been prepared in accordance with the provisions of The Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 relating to insurance companies and with the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers dated December 2005 (as amended December 2006). The Regulations use "Profit and Loss Account" as a heading, which is replaced by "Income & Expenditure Account" throughout these financial statements consistent with the mutual status of the Association.

All figures are reported in US Dollars (\$)

**Reinsurance and pooling arrangements**

**Class 2**

Reinsurance cover for Class 2, on an excess of loss basis, has been effected with The West of England Ship Owners Mutual Insurance Association (Luxembourg) since 20 February 1982 and for new building risks since 20 February 1985.

In exchange for The West of England Ship Owners Mutual Insurance Association (Luxembourg) agreeing on 18th October 1985 to reinsure the totality of the risks insured by Class 2 up to 20 February 1986, this Association agreed from that date to hold all the assets pertaining to Class 2 as trustee for The West of England Ship Owners Mutual Insurance Association (Luxembourg) and to transfer them to that Association on demand. This right of transfer was exercised immediately upon the close of business on 20 February 1986 in respect of the Association's shareholding in the West of England Reinsurance (Hamilton) Limited. The business of Class 2 ceased on 20 February 1986 save for the purpose of winding up such business.

**Class 3 and Class 4**

The business of Class 3 and Class 4 ceased on 20 February 1987 save for the purpose of winding up such business, which has been reinsured with The West of England Ship Owners Mutual Insurance Association (Luxembourg). This business is regarded as fully run off.

**Class 1**

The business of Class 1, Protection and Indemnity, ceased from 20 February 1970. Special reinsurance arrangements for the relevant policy years up to and including 1969/70 have been made with The West of England Ship Owners Mutual Insurance Association (Luxembourg), whereby that Association agrees to reinsure, indemnify and hold harmless this Association. In addition, this Association may require that the Luxembourg Association shall pay or discharge directly or put this Association in sufficient funds to pay any claim. As a result, all payments are being made directly by the Luxembourg Association.

**Notes to the financial statements for the year-ended 20 February 2013 – continued**

**Accounting policies - continued**

**Basis of insurance**

Calls are levied on a policy year basis. Members remain liable for their rateable proportion of any excess of claims and expenses over income in respect of the particular Class in which they were entered, which obligation continues despite the reinsurance arrangements with The West of England Ship Owners Mutual Insurance Association (Luxembourg). Claims are included in policy years by reference to the date of the incident and reinsurance recoveries are allocated accordingly.

**Investment income**

Bank and other interest is credited to the Income & Expenditure Account as earned. For Class 2, investment income may be allocated to policy years at the discretion of the Directors.

**Transfer of investment return**

A transfer of investment return, including foreign exchange gains and losses, expenses and charges, before tax, 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.

**Claims paid**

Claims are charged to the Income & Expenditure Account when they have been passed by the Directors. Credit is taken for reinsurance recoveries due in respect of claims accounted for at the Balance Sheet date.

**Claims outstanding**

Claims outstanding include estimates of notified outstanding claims together with a provision for claims incurred but not reported. 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 claims, which cannot be known with certainty at the Balance Sheet date. The figures include provision for claims handling costs.

**Operating expenses**

Management and other expenses are dealt with on an accruals basis. Claims handling expenses are allocated to claims paid.

**Foreign currencies**

Transactions in currencies other than US Dollars are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in currencies other than US Dollars are translated using the rate of exchange ruling at the Balance Sheet date. Exchange differences on translation are included in the Income & Expenditure Account.

THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
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Notes to the financial statements for the year-ended 20 February 2013 – continued

2. Net operating expenses

Auditors' remuneration

During the year the Association obtained the following services from its auditor at costs detailed below

	2013 \$	2012 \$
<b>Audit services</b>		
Fees payable to the Association's auditor for the audit of the Association's accounts	8,514	8,558
<b>Non-audit services</b>		
Other services pursuant to legislation, including the audit of the regulatory return	6,640	6,675
Tax services	<u>(3,955)</u>	<u>8,368</u>
	11,199	23,601
Other operating expenses	<u>2,101</u>	<u>2,261</u>
	<u>13,300</u>	<u>25,862</u>

On 10 July 2012 the Association received confirmation from HM Revenue & Customs that it was content to treat the Association as dormant for tax purposes. The accruals made at 20 February 2012 for the completion and submission of the tax returns have therefore been released.

There were four Directors (2012 four) employed by the Association during the year. Mr A Cooke retired from the Board with effect from 27 September 2012. No fees were paid to the Directors for the year ended 20 February 2013 (2012 \$ nil). No other staff were employed.

3. Reconciliation of operating profit to net cash inflow from operating activities

	2013 \$	2012 \$
Surplus on ordinary activities before tax	-	-
Less investment income	-	-
Operating surplus / (deficit)	<u>-</u>	<u>-</u>
Increase / (decrease) in creditors	430	(1,792)
(Decrease) / increase in technical provisions	(3,300)	7,700
Decrease / (increase) in reinsurers' share of technical provisions	3,300	(7,700)
<b>Net cash inflow / (outflow) from operating activities</b>	<u>430</u>	<u>(1,792)</u>

4. Foreign exchange

Exchange gains (2012 losses) on the revaluation of the sterling bank account are shown in "Other income" (2012 "Investment expenses and charges")



Notes to the financial statements for the year-ended 20 February 2013 – continued

**5. Exchange rates**

The average exchange rate for the year was \$1 = £0 6305 (2012 \$1 = £0 6256) The closing exchange rate for the year was \$1 = £0 6533 (2012 \$1 = £0 6310)

**6. Ownership of net assets**

The assets of this Association are held in trust for The West of England Ship Owners Mutual Insurance Association (Luxembourg), the net balance due to that Association of \$9,421 (2012 \$2,446) is included in Creditors arising out of reinsurance operations

**7 Guarantee**

Under the Memorandum of Association, the Association is limited by guarantee not exceeding £5 per Member for every 100 tons or part of 100 tons entered

**8. Class 1, Protection and Indemnity**

Under the accounting policies the business of Class 1, Protection and Indemnity, is covered by special reinsurance arrangements for the relevant policy years up to and including 1969/70 The amounts involved are excluded from the Income & Expenditure Account Gross claims paid in the year amount to \$1,406,597 (2012 \$3,000,016) less reinsurance recoveries of \$2,226 (2012 nil) leading to a net reinsurance recovery from The West of England Ship Owners Mutual Insurance Association (Luxembourg) of \$1,404,371 (2012 \$3,000,016)

**9. Related parties**

All risks insured by this Association up to the date when it ceased underwriting are reinsured with The West of England Ship Owners Mutual Insurance Association (Luxembourg) Notwithstanding, Members of this Association retain obligations and rights and some of the Members of this Association are also Members of The West of England Ship Owners Mutual Insurance Association (Luxembourg)

Until 14 January 2005, the Association was managed by The West of England Ship Owners Insurance Services Limited, a management company wholly owned by The West of England Ship Owners Mutual Insurance Association (Luxembourg) Other than those disclosed in these financial statements there were no outstanding balances with related parties at either 20 February 2013 or 20 February 2012

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
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**APPENDIX I – Class 2 Consolidated Policy Year Statement at 20 February 2013  
for all years up to and including 1985/86 (unaudited)**

\$'000	80/81 & Prior	81/82	82/83	83/84	84/85	85/86	Policy Year Reserve Account	Allocation Account	Total
Calls		5,873	6,101	5,536	4,778	4,282	12,642		
Reinsurance premiums		(375)	(418)	(424)	(452)	(348)			
<b>Net premiums</b>		<b>5,498</b>	<b>5,683</b>	<b>5,112</b>	<b>4,326</b>	<b>3,934</b>			
Investment income after taxation and exchange differences		490	395	318	(101)	-		1,526	
		<b>5,988</b>	<b>6,078</b>	<b>5,430</b>	<b>4,225</b>	<b>3,934</b>			
Management expenses (including Audit fee and Directors' fees)		(557)	(690)	(804)	(644)	(990)	(2,589)		
<b>Net income</b>		<b>5,431</b>	<b>5,388</b>	<b>4,626</b>	<b>3,581</b>	<b>2,944</b>	<b>10,053</b>	<b>1,526</b>	
<b>Net claims paid</b>		<b>(5,744)</b>	<b>(4,880)</b>	<b>(3,657)</b>	<b>(4,063)</b>	<b>(2,040)</b>			
Balance before outstanding claims	(15,978)	(313)	508	969	(482)	904	10,053	1,526	(2,813)
Projected outstanding claims	(37)	-	-	(8)	(8)	-			(53)
<b>Projected balance</b>	<b>(16,015)</b>	<b>(313)</b>	<b>508</b>	<b>961</b>	<b>(490)</b>	<b>904</b>	<b>10,053</b>	<b>1,526</b>	<b>(2,866)</b>

**Notes to the Class 2 Consolidated Policy Year Statement**

- 1 This appendix combines the results of Class 2 of The West of England Ship Owners Mutual Insurance Association (London) Limited with Class 2 of The West of England Reinsurance (Hamilton) Limited which was, until 20 February 1986, wholly owned by the Association and which undertook reinsurance of the Association until 20 February 1992. The projected balance shown represents the total amount projected to be recoverable for Class 2 under the reinsurance arrangements with the West of England Shipowners Mutual Insurance Association (Luxembourg), described more fully in the Financial Statements of this Association.

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
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**Notes to the Class 2 Consolidated Policy Year Statement - continued**

- 2 Until 20 February 1984, all accounting records were maintained in sterling and in so far as the figures at that date are included above, they have been translated into US Dollars at the rate ruling on 20 February 1984
- 3 The Allocation Account represents cumulative investment income earned and exchange differences from 20 February 1985
- 4 The figures for projected outstanding claims represent the projected ultimate liabilities remaining for the policy years shown. In arriving at these figures, a number of important assumptions have been made and to the extent that time may alter the validity of those assumptions, the projected figures may vary significantly
- 5 For the purpose of this Statement, claims paid exclude claims handling expenses allocated to claims. These are included in Management expenses. Appropriate provision is made in outstanding and unnotified claims for future claims handling costs