

RETURNS UNDER INSURANCE COMPANIES LEGISLATION

AC 1078

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED**  
year ended 20 February 1999

1. Statement of the general reinsurance arrangements

As detailed below the Association has wholly reinsured all its risks with The West of England Ship Owners Mutual Insurance Association (Luxembourg) in consideration for the transfer of all its assets. All of the assets and liabilities shown on the balance sheet are held by the Association as trustee for the West of England Ship Owners Mutual Insurance Association (Luxembourg).

From 20 February 1970 the Association ceased to accept new business in Class I and no figures for this class are shown in the revenue account. The relevant policy years up to and including 1969/70 are subject to special reinsurance arrangements with The West of England Ship Owners Mutual Insurance Association (Luxembourg).

The Association ceased to insure new business in Class II - Freight, Demurrage and Defence risks on 20 February 1986 and has entered into a reinsurance agreement with The West of England Ship Owners Mutual Insurance Association (Luxembourg) whereby the latter, in consideration for the transfer of all the assets of Class II of the Association, will reinsure all the Freight, Demurrage and Defence risks up to 20 February 1986.

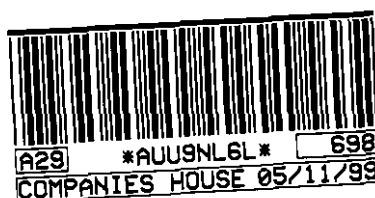
With effect from 20 February 1987, the Association ceased to insure new business under Classes III and IV and The West of England Ship Owners Mutual Insurance Association (Luxembourg) has reinsured all the risks incurred up to that date of Classes III and IV - Ships Officers and Crew Strikes and Port Area Strikes - in consideration of the transfer of all the Association's assets held for those classes.

2. There have been no supplementary calls made in the year.

3. a) We certify that, in our opinion, in relation to the parts of the return comprising forms 11, 12, M1, M2, M3 and M4 of the Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations") and the supplementary notes:

- (i) the return has been prepared in accordance with the Regulations as modified by the Order dated 30 May 1997 issued to the Association under Section 68 of the Insurance Companies Act 1982; and
- (ii) proper accounting records have been maintained and adequate information has been obtained by the Association; and
- (iii) an appropriate system of control has been established and maintained by the Association over its transactions and records.

b) The value or amount given for an asset or a liability of the Association is the value or amount of that asset or liability as determined in accordance with Parts VIII and IX of The Insurance Companies Regulations 1994 as they apply for the purposes specified in regulations 45 and 59 of those Regulations at the end of the period in question.



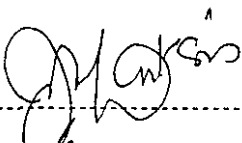
- P. K.
- c) In respect of the Association's business which is not excluded by regulation 32 of the Insurance Companies Regulations, the assets held throughout the financial year in question enabled the Association to comply with regulations 27 to 31 (matching and localisation) of those Regulations.
  - d) The Association has, throughout the financial year, complied with the requirements of Sections 34, 35 and 35A of the Act as applicable.
  - e) Each mutual member of the Association has accepted those parts of the rules which oblige members to pay their share of supplementary calls for the year and of calls to meet the required minimum margin (including any sum needed to make good failure by other members to pay calls made on them).
  - f) The Association is empowered to make calls on its members which would produce sufficient assets to meet the requirement to maintain the required minimum margin.
  - g) The number of direct mutual members and vessels at 20 February 1999 was nil. The Articles of Association state that membership shall cease upon termination of the period of insurance. Since all periods of insurance have ceased only the seven directors are ex officio members at 20 February 1999, however, members at the end of the final open Policy Year, at 20 February 1986 in respect of Class II and at 20 February 1987 for Classes III and IV, remain liable for any further calls in respect of those years.
  - h) We are satisfied that the systems of control established and maintained by the Association in respect of its business complied, at the end of the financial year in question, and it is reasonable to believe that those systems continued to comply and will continue to comply in the future, with the following published guidance:

Prudential Guidance Note 1994/6 "Systems of control over investments"  
Prudential Guidance Note 1996/1 "General Business Reserving", and

The Return has been prepared in accordance with the following published guidance:


Prudential Guidance Note 1995/1 "Asset Valuation Rules"  
Prudential Guidance Note 1995/3 "Use of Derivatives"  
Prudential Guidance Note 1998/1 "Preparation of the Annual Return".

J A Loutsis



Director

M T Los



Director

D J Cross



Secretary

Date:

22 October 1999

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

Financial year ended 20 February 1999

**Report of the auditors to the directors pursuant to regulation 29 of the Insurance Companies  
(Accounts and Statements) Regulations 1996**

We report on Form M2 together with the related supplementary note and the amended certificate which have been initialled by us for identification purposes.

These documents have been amended pursuant to section 22(5) of the Insurance Companies Act 1982 ("the Act") and replace the Forms upon which we previously reported on 9 June 1999. This audit report in respect of the replacement Forms should be read in conjunction with that original report.

*Respective responsibilities of the company and its auditors*

The Association is responsible for the preparation of an annual return (including the Forms, statements and certificate) under the provisions of the Act and the Regulations. The requirements of the Regulations have been modified by an Order issued under section 68 of the Act on 30 May 1997. Under regulation 5 the Forms and statements are required to be prepared in the manner specified by the Regulations and to state fairly the information provided on the basis required by the Regulations.

It is our responsibility to form an independent opinion as to whether the Forms and statements meet these requirements, and in the case of the certificate whether it was or was not unreasonable for the persons giving the certificate to have made the statements therein, and to report our opinions to you.

*Bases of opinions*

We conducted our work in accordance with Bulletin 1998/3: 'Auditors' reports on regulatory returns made under the Insurance Companies Act 1982' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and statements. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year on which we reported on 9 June 1999. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and statements are free from material misstatement, whether caused by fraud or other irregularity or error, and comply with regulation 5.

In the case of the certificate, the work performed involved a review of the procedures undertaken by the signatories to enable them to make the statements therein, and does not extend to an evaluation of the effectiveness of the company's internal control systems.

*Opinions*

In our opinion:

- (a) these revised Forms and statements fairly state the information provided on the basis required by the Regulations as modified and have been properly prepared in accordance with the provisions of those Regulations; and
- (b) according to the information and explanations received by us:
  - (i) the certificate has been properly prepared in accordance with the provisions of the Regulations; and
  - (ii) it was not unreasonable for the persons giving the certificate to have made the statements therein.

*PricewaterhouseCoopers*

*PricewaterhouseCoopers*

*Southwark Towers  
32 London Bridge Street  
London SE1 9SY  
Chartered accountants and Registered Auditors*

*22 October 1999*

PSC

**RETURNS UNDER INSURANCE COMPANIES LEGISLATION  
NOTES TO THE RETURN**

**THE WEST OF ENGLAND SHIP OWNERS MUTUAL INSURANCE ASSOCIATION  
(LONDON) LIMITED**  
year ended 20 February 1999

**0901 Modification to the Return**

This return has been prepared in accordance with The Insurance Companies (Accounts and Statements) Regulations 1996 as modified by an Order dated 30 May 1997 issued by the Secretary of State with the consent of the Association. The modification provided for by that Order is as follows:

- a) (Code 831) Section 20 of The Insurance Companies Act 1982 ("the Act") shall not apply to the Association and with the exception of Regulations 1, 2, 4, 6(4), 23, 32 and 35 The Insurance Companies (Accounts and Statements) Regulations 1996 ("the Regulations") shall not apply to the Association.
- b) The Association shall not be required to prepare an income and expenditure account as provided in sub-section (1) of Section 17 of the Act.
- c) The revenue account, the statement of solvency, the statement of admissible assets, the analysis of calls, premiums and claims and the statement of derivative contracts shall be in the form prescribed by the Order.

**FORM M2**

The Association does not comply and has not complied during the year ended 20 February 1999 with the requirements of s32 of the Insurance Companies Act 1982 that it maintain a required minimum margin. The shortfall is due to inadmissible assets and, in particular, that 50% of calls unapproved by the Board at the end of the financial year and required to meet the margin cannot be set against the required minimum margin. The Directors of the Association are considering the action necessary to remedy the position as soon as possible.

**M500 Form M5 omitted**

Form M5 (Analysis of derivative contracts) has been omitted because there are no derivative contracts and hence all entries would be blank.

**STATEMENT OF ADDITIONAL INFORMATION ON DERIVATIVE CONTRACTS  
PURSUANT TO REGULATION 23**

The Association's investment guidelines do not permit derivative contracts. No derivative contracts were entered into by the Association during the year.

**M101 Other Income**

Other income is the reinsurer's share of expenses.

## Marine mutuals : Statement of solvency

Name of company    The West of England Ship Owners Mutual Insurance  
 Association (London) Limited  
 Financial year ended    20 February 1999

	Company registration number	Period ended			Units (See instruction 1)
		day	month	year	
	M2 22211	20	02	1999	US\$
	As at the end of the financial year  1	As at the end of the previous financial year  2	Source		
			Form	Line	Column

## ASSETS

Admissible assets	11	120,499	187,716	M3 . 89
Calls approved by the Board but unmade at the end of the financial year	12			
Total (11+12)	19	120,499	187,716	

## LIABILITIES

Unexpended contributions and unearned premiums and any additional amounts set aside for unexpired risks, gross of reinsurance and deferred acquisition costs	21			See instruction 2
Gross provision for outstanding claims	22	85,446	135,068	See instruction 3
Creditors	23	41,897	54,511	
Taxation	24			
Other liabilities	25			See instruction 4
Total (21 to 25)	29	127,343	189,579	

## REQUIRED MINIMUM MARGIN

Net admissible assets (19-29)	31	(6,844)	(1,863)	
Calls unapproved by the Board at the end of the financial year	32	177,597	171,415	See instruction 5
Available net assets (31+32)	33	170,753	169,552	
Required minimum margin	34	355,194	342,831	
Excess (deficiency) of available net assets over the required minimum margin (33-34)	39	(184,441)	(173,279)	