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The Standard Steamship Owners' Mutual
War Risks Association Limited

Annual Report
and
Accounts

1996



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*To the Members of The Standard
Steamship Owners' Mutual War Risks
Association Limited*

Notice is hereby given that the eighty-third Annual General Meeting of the Members will be held at The Waterfront Centre Hotel, Vancouver, Canada, on 26th July 1996 at 9.25 a.m.

Business


To adopt the Report and Accounts.

To re-appoint Coopers & Lybrand as Auditors, and to authorise the Directors to fix their remuneration.

To elect Directors to replace those who retire in accordance with the Articles of Association.

Any other business.

By order of the Board,


J. C. Godfrey
Secretary

1996

Directors

J. E. Keville
Chairman
Furness Withy & Co. Ltd.

Captain Sir Malcolm Edge K.C.V.O.
Corporation of Trinity House

D. J. C. Habgood
Blue Star Line Ltd.

C. G. N. Ryder O.B.E.
John Swire & Sons Ltd.

K. W. Timmermann
P&O Bulk Shipping Ltd.

Managers
Charles Taylor & Co. Limited

Auditors' Report

*To the Members of The Standard
Steamship Owners' Mutual War Risks
Association Limited*

We have audited the Accounts set out on pages 7 to 14.

Respective responsibilities of Directors and Auditors

As described on pages 4 and 5, the Association's Directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on these Accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes the examination, on a test basis, of the evidence relevant to the amounts and disclosures in the Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts, and of whether the accounting policies are appropriate to the Association's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 Accounts are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of the information in the Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of affairs of the Association at 20th February 1996 and of its surplus, total recognised losses and cash flow for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Coopers & Lybrand

Chartered Accountants and Registered Auditors

London

30th May 1996

Report of the Directors

The Directors herewith submit the Association's Accounts as at 20th February 1996, with the Report of the Auditors to the members, from which members will obtain information relating to the Association's affairs during the year ended 20th February 1996.

Principal activities

The Association's principal activities during the year continued to be the insurance and reinsurance of war and related risks which are excluded from the standard marine policy.

Review of the year

Rates of advance contribution for British flag and British-controlled ships remained unchanged from the previous year. For the second year running, the clubs in the Combined Group of War Risks Associations elected to bear an annual aggregate deductible under the Group's reinsurance. Although the Association had participated in a similar deductible in the 1994/95 policy year in respect of its directly-entered tonnage, it had been reinsured from the ground up in respect of its own reinsurance of the Canadian Shipowners Mutual Assurance Association ('CSMAA'). For the 1995/96 policy year, the CSMAA decided to retain a degree of risk and the Association accordingly participated in the aggregate deductible in respect of all its tonnage, both direct and reinsured. Despite the reduction in premium income, investment income of £560,000 meant that a surplus of £46,000 was transferred at the end of the year to the contingency fund, which stands at £4,975,000.

The Association received no claims in the course of the year; nor did any of the other Combined Group clubs with which it pools claims.

The total value of ships entered at the close of the year was approximately £3.35 billion, of which reinsured Canadian ships represented approximately £1.5 billion.

Future developments

The Association will continue to pursue its existing activities.

Directors

The Directors of the Association are as shown on page 2.

Capt. Sir Malcolm Edge retires by rotation in accordance with the Articles of Association and, being eligible, offers himself for re-election.

Investment

Your Board has established investment guidelines to ensure the prudent and conservative management of the Association's reserves. They ensure that the assets are suitable and are adequately diversified.

This year saw improved bond markets over the previous years. The investment policy adopted follows these markets and resulted in an overall return of 9.8% on the Association's funds during the year.

Statement of Directors' responsibilities

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out on page 3, is made

for the purpose of clarifying the respective responsibilities of the Directors and auditors in the preparation of the Accounts.

Company law requires the Directors to prepare Accounts for each financial year in accordance with the provisions of the Companies Act 1985 applicable to insurance companies. In preparing those Accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Accounts; and
- prepare the Accounts on a going-concern basis unless it is inappropriate to presume that the Association will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and which enable them to ensure that the Accounts comply with the Companies Act 1985.

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.

Auditors

A resolution to re-appoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the Board,



J.C. Godfrey

Secretary

30th May 1996

Accounts

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Income and Expenditure Account

for the year ended 20th February 1996

	Notes	1996 £ 000's	1995 £ 000's
<i>Technical account-general business</i>			
Income			
Gross premiums written including contributions	3	265	430
Outward reinsurance premiums	4	(326)	(463)
Earned premiums, net of reinsurance		(61)	(33)
Allocated investment return transferred from the non-technical account		560	141
Total income		499	108
Expenditure			
Claims paid		-	4
Reinsurers' share		-	(4)
Net claims paid		-	-
Change in provision for claims		262	(239)
Reinsurers' share		-	-
Change in net provision for claims		262	(239)
Claims incurred, net of reinsurance		262	(239)
Net operating expenses	5	191	205
Total expenditure		453	(34)
<i>Non-technical account</i>			
Balance on general business technical account		46	142
Investment income	6	677	446
Exchange losses		(15)	(70)
Investment expenses and charges including losses arising on realisation of investments		(15)	(152)
United Kingdom corporation tax	7	(87)	(83)
		560	141
Allocated investment return transferred to the general business technical account		(560)	(141)
Excess of income over expenditure transferred to contingency fund		46	142

The income, expenditure and results for the year are wholly derived from continuing activities.

Contingency Fund

for the year ended 20th February 1996

	Notes	1996 £ 000's	1995 £ 000's
Balance at beginning of year		4,929	4,787
Transfer from non-technical account		46	142
Balance at end of year		4,975	4,929

Statement of Total Recognised Gains and Losses

for the year ended 20th February 1996

Transfer from non-technical account	46	142
Movement in revaluation reserve	(121)	(398)
	(75)	(256)

Balance Sheet

for the year ended 20th February 1996

	Notes	1996 £ 000's	1995 £ 000's
Assets			
Investments			
Other financial investments	9	4,996	4,019
		4,996	4,019
Debtors			
Member debtors arising out of direct insurance operations		10	3
Other debtors		-	50
		10	53
Other assets			
Cash at bank and in hand		2,120	1,189
Prepayments and accrued income		110	102
		2,230	1,291
Total assets		7,236	5,363
Liabilities			
Reserves			
Revaluation reserve	10	55	176
Contingency fund		4,975	4,929
		5,030	5,105
Technical provisions			
Claims outstanding - gross open year fund		262	-
Balance available to meet outstanding and future claims			
		5,292	5,105
Creditors			
Creditors arising out of direct insurance operations		15	9
Other creditors including taxation		1,816	56
		1,831	65
Accruals and deferred income		113	193
		1,944	258
Total liabilities		7,236	5,363

J.E. Keville Director

C.G.N. Ryder Director

Charles Taylor & Co. Ltd. Managers

30th May 1996

Charles Taylor & Co. Ltd.

Cash Flow Statement

for the year ended 20th February 1996

	Notes	1996 £ 000's	1995 £ 000's
Operating activities			
Net cash inflow from operating activities	11	1,821	13
Taxation			
Tax paid		(68)	(181)
Net cash inflow/(outflow) after taxation		1,753	(168)
Investing activities			
Proceeds from sale of investments		9,336	2,638
Purchase of investments		(10,158)	(1,476)
Net (purchase)/sale of investments		(822)	1,162
Increase in bank balances		931	994
Bank balances, beginning of year		1,189	195
Bank balances, end of year		2,120	1,189

Notes to the Accounts

1 Constitution

The Association is limited by guarantee. The members of the Association are liable for their rateable proportion of any deficiency of claims and expenses in excess of contributions and the Board of Directors decides whether any surplus is retained in the contingency fund for the purposes of the Association or returned to members.

2 Accounting Policies

The Accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and with Section 255 and Schedule 9A of the UK Companies Act 1985 which includes the requirements of the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993 ("the Regulations").

The Regulations use "Profit and Loss Account" as a heading, which is replaced by "Income and Expenditure Account" throughout these Accounts consistent with the mutual status of the Association. All references to Income and Expenditure Account in these Accounts have the same meaning as Profit and Loss Account in the Regulations. The contingency fund represents the free reserves of the Association and is established in accordance with Rule 32 of the Rules of the Association.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain assets as required by the Regulations.

(b) Fund basis

The transfer to or from the contingency fund is determined using a fund basis of accounting as the Association is unable to obtain sufficient information in respect of claims of the open policy years and the Directors do not believe the annual basis is appropriate. Under the fund basis premiums and claims are allocated to each policy year beginning 20th February, the results of which are determined and reported when the policy year is closed. Each policy year is regarded as closed after two years of development, at which time any surpluses are recognised. Deficiencies on open policy years are provided for as soon as they become anticipated.

(i) Contributions and additional premiums are credited to the Income and Expenditure Account as and when charged to members. Contributions for periods after the Balance Sheet date are treated as prepaid and not included in the Income and Expenditure Account.

(ii) The insurance fund is included within the technical provision for claims outstanding and is assessed after making full provision for the estimated ultimate costs of all claims, including the related expenses, whether reported or not, in respect of each policy year. The level of the insurance fund is established using statistical projections of the amounts which the Association expects the ultimate settlement of claims will cost, based on the current facts and circumstances. Account is also taken of estimated future contributions and premiums, including supplementary contributions receivable.

(iii) Claims incurred comprise all claims passed by the Board, advances made on account of claims and related expenses paid in the year including the Association's share of claims under pooling agreements and changes in provisions for outstanding claims of closed policy years, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years and any deficiency arising from open policy years.

(c) Reinsurance premiums

Reinsurance premiums include premiums paid in respect of the reinsurance agreement with market underwriters.

(d) Interest and investment income

Interest on fixed-interest securities and bank deposits is included on an accruals basis.

(e) Profit and loss on sale of investments

Profits and losses on sales of investments are included when realised.

(f) Investments

The investments held by the Association have been disclosed at market value in the Balance Sheet to provide a more appropriate valuation considering the type of investment held. The difference arising on the revaluation of these investments has been transferred to a revaluation reserve fund and shown separately in the Balance Sheet.

(g) Foreign currencies

Assets and liabilities in foreign currencies are translated at the Sterling rate of exchange at the Balance Sheet date. Revenue transactions in foreign currencies are translated into Sterling at the rate applicable for the week in which the transaction took place. Exchange differences are included in the Income and Expenditure Account.

(h) General administration expenses

General administration expenses, including the Managers' remuneration, are included on an accruals basis.

(i) Taxation

Taxation provided is that which became chargeable during the year together with deferred taxation (calculated by the liability method) on all short-term timing differences.

(j) Allocation of investment return

All investment returns are allocated to the technical account.

3 Gross premiums written including contributions	1996	1995
	£ 000's	£ 000's
Annual contributions	265	337
Adjustments for previous policy years	-	3
Additional premiums	-	67
Adjustments for previous policy years	-	23
	265	430

4 Outward reinsurance premiums	1996	1995
	£ 000's	£ 000's
Reinsurance premiums		
Additional premiums	-	88
Other premiums	326	375
	326	463

5 Net operating expenses	1996	1995
	£ 000's	£ 000's
Administrative expenses		
Managers' remuneration	159	173
General administration costs	19	17
Directors' fees	4	4
Auditors' remuneration - audit	5	7
Auditors' remuneration - other services	4	4
Net operating expenses	191	205

6 Investment income	1996	1995
	£ 000's	£ 000's
Income from fixed-interest securities	371	302
Deposit interest	18	15
Gains arising on realisation of investments	288	129
Total investment income	677	446

7 United Kingdom corporation tax	1996	1995
	£ 000's	£ 000's
Corporation tax at 26.6% (1995 25.8%)	87	83

Corporation tax is charged on the Association's investment income. The mutual activities of the Association are not subject to corporation tax.

8 Directors' emoluments	1996 £ 000's	1995 £ 000's
Fees	4	4
Fees include amounts paid to the:- Chairman and highest paid director	1	1

The number of directors (including the Chairman and highest paid director) who received fees in the following range were:

	1996 Number	1995 Number
£ 1 - £ 5,000	5	6
No director waived fees in respect of the year ended 20th February 1996.		

9 Other financial investments	1996 £ 000's	1995 £ 000's
Debt, securities and other fixed-interest securities		
<i>At market value</i>	4,996	4,019
<i>At cost</i>	4,941	3,843

10 Revaluation reserve	1996 £ 000's	1995 £ 000's
Balance at beginning of year	176	574
Movement arising on revaluation	(121)	(398)
<i>Balance at end of year</i>	55	176

11 Net cash inflow from operating activities	1996 £ 000's	1995 £ 000's
Excess of income over expenditure	46	142
Change in provision for claims	262	(239)
Reinsurers' share	-	-
Taxation	87	83
Net realised (gains)/losses on sale of investments	(276)	19
Decrease/(increase) in debtors	35	(21)
Increase in creditors	1,667	29
	1,821	13