HELLENIC WAR RISKS

Financial Statements

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2020

HELLENIC WAR RISKS IS MANAGED BY **THOMAS MILLER**

With our specialist, mutual war risks insurance, we protect the Hellenic shipping community from malicious loss or damage, all over the world.

Contents

Hellenic War Risks at a glance

Total Entered Value

$116bn

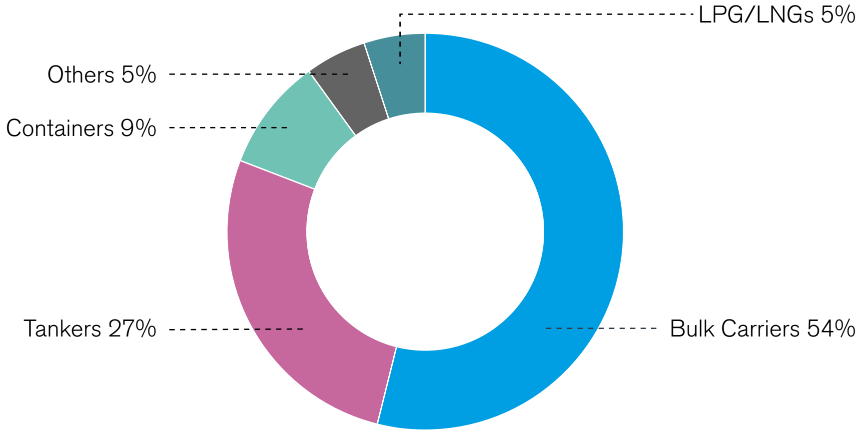
Result for the Year

-$1.9m

Total Number of Ships Entered

3,102

Vessel Types



Investment Return

$8.4m

End of Year Reserves

$117m

Market share by G.T.

81%

As at 19 March 2021

Claims activity

13

The Association incurred 13 claims in 2020 (2019, 8 claims)

Notice of Meeting

Annual General Meeting

NOTICE IS HEREBY GIVEN that the fifty-second Annual General Meeting of the Members of the Association will be held at the Four Seasons Astir Palace Hotel, 40 Apollonos Str, 16671 Vouliagmeni, Athens, at 10.00am on 20 September 2021 for the following purposes:

To approve and adopt the Directors' Report and the Consolidated Financial Statements for the year ended 31 December 2020.

To elect Members' Committee members.

To reappoint the Auditors and authorise the Directors to fix their remuneration.

To approve and adopt amendments to the Rules and Bye-Laws of the Association.

To transact any other business of an Ordinary General Meeting.

By Order of the Board.

Thomas Miller (Bermuda) Limited
Company Secretary
19 May 2021

Directors

At the Fifty-First AGM the following Directors were appointed to the newly formed Executive Board and Members' Committee with effect from 4 November 2020:

Directors

Amanda Sodergren (Chair)

George Embiricos
Resigned 1 April 2021

Markos Lyras

Michael Pateras

Nicolas Verardi

Philip Young
Appointed 1 April 2021

Members' Committee	Alternate Member
M F Lykiardopulo (Chairman)	
C I Caroussis (Deputy Chairman)	
G E Embiricos (Deputy Chairman)	
N C Martinos (Deputy Chairman)	
M G Pateras (Deputy Chairman)	
M Angelicoussi	J A Angelicoussis Died in office 10 April 2021
A M Chandris	
S J Fafalios	
A Frangou	
G J Goulandris	Y G Goulandris
P J Goulandris	
G J Goumas	
P Gripari	
P Hajioannou	
G Karageorgiou	
P E Kollakis	S Kollakis
P C Laskaridis	S Laskaridis
A T Lemos	F P Lemos
M C Lemos	
P G Livanos	
S G Livanos	
J M Lyras	M J Lyras
G D Pateras	
M Travlou	
N C Veniamis	
R Zein	

Directors (continued)

At the Fifty-First AGM the following Directors and Alternate Directors resigned from HWRB's Board of Directors, upon their election to the Members' Committee, with their resignation taking effect from 4 November 2020.

Resigned Directors	Resigned Alternate Directors
M F Lykiardopulo	
C I Caroussis	
N C Martinos	
M Angelicoussi	J A Angelicoussis Died in office 10 April 2021
A M Chandris	
S J Fafalios	
A Frangou	
G J Goulandris	Y G Goulandris
P J Goulandris	
G J Goumas	
P Gripari	
P Hajioannou	
G Karageorgiou	
P E Kollakis	S Kollakis
P C Laskaridis	S Laskaridis
A T Lemos	F P Lemos
M C Lemos	
P G Livanos	
S G Livanos	
J M Lyras	
G D Pateras	
M Travlou	
N C Veniamis	
R Zein	

Chairman's Statement

It goes without saying that 2020 was a year that will go down in history. Despite the near global lockdown caused by the pandemic, I am pleased to say that the Association was able to continue to provide its usual level of service to Members, albeit whilst sometimes working remotely. The nature of the lockdown has meant however that we were unable to meet Members in person last year, and I look forward to the time in the near future when we can do so again.

2020 also saw a significant change in the Association's governance structure with the reduction in the size of the Board to five Directors, and the constitution of a new Members' Committee to provide input to the Board on mutual matters. This new governance structure reflects today's expectations for the governance of mutual insurers by regulators, while maintaining the essential close connection with the Members and an understanding of their needs through the Members' Committee.

In April 2021 we received the very sad news of John Angelicoussis's untimely death. A leading light in the shipping world as well as his home country of Greece, John served for many years as a Director of the Association from December 1989 until November 2017, and thereafter as an alternate Director and subsequently on the Members' Committee right up until his death. We will greatly miss his insight and wise counsel but are glad that the connection between the Association and the Angelicoussis family continues with his daughter, Maria who serves on the Members' Committee today. On behalf of all his fellow Directors and the Association, I offer our deepest condolences to his family for their great loss.

While 2020 did not see quite the same tensions in the Middle East as 2019, the situation there remained volatile with the drone strike on a prominent Iranian general by the US, several ships being detained by the Iranian military, as well as risks to shipping from the civil war in Yemen where there were a number of attacks using drones and mines on merchant ships. The ongoing risks in the region meant that Additional Premium rates have remained broadly static over the course of last year, though the Association was able to provide Members with a 10% reduction in Arabian Gulf rates in July, followed by a further 5% reduction in early November. Our policy remains that we will always aim to offer Members the most competitive Additional Premium rates for all areas.

Increased sanctions against Venezuela in the course of the year were a cause for concern and the Association eventually had to take the step, almost without precedent, of imposing a Prohibition against trading to Venezuela or carrying Venezuelan cargoes, due to the stance taken by the US authorities against the Venezuelan government. This was not a decision that was taken lightly by the Board but became necessary to protect the interests of the Association and its Membership.

West African piracy remains of very great concern. The International Maritime Bureau has reported a record 130 crew kidnapped in the Gulf of Guinea region in 22 separate attacks in 2020. Furthermore, incidents are occurring further away from shore than in previous years, demonstrating the ever-present need for vigilance and recommended adherence to the latest BMP guidance when navigating in the area. The Association also notes with concern that security incidents against shipping in the wider Middle Eastern region have continued in 2020.

The Association experienced 13 claims during 2020, five of which involved West African piracy and kidnap for ransom. The Association supports its Owners with both loss prevention insight and, if a claim should occur, skilled and steady guidance stemming from unrivalled experience in handling difficult and specialised cases. Despite the lockdown, Loss Prevention activity continued with vigour and the Managers held a very successful webinar on crisis management in December 2020 with over 120 attendees.

Chairman's Statement (continued)

2020 continued the run of strong growth that the Association has experienced in recent years with new Members joining the Association, former Members re-joining and existing Members adding to their fleets. After the renewal on 1 January 2021, the Association had a record number of ships entered, over 3,100, with a total entered value of over US$116 billion. As a mutual, I believe all Members can take great satisfaction in this tangible demonstration of support for the Association and what it offers to the Membership.

Following the surplus of US$8.2 million that the Association made in 2019, this year it recorded a small deficit of US$1.9 million. Like most other financial institutions, the Association saw a significant drop in the value of its investments in Q1 2020, but by the end of the year these had returned to positive territory with a return for the full year of US$8.4 million, equal to 6.5%. The Association continues to be extremely well funded and has been able to use its financial strength in 2020 to subsidise rates to Members. Despite the hardening insurance market the Association's strong financial position also enabled annual premium rates to be decreased by a further 5% at the 2021 renewal following a 10% reduction last year. This is against a market backdrop when rates have increased, or remained static at best.

With some market underwriters reluctant to cover cyber risks I am also pleased that for the 2021 Policy Year the US$150 million of annual aggregate cover across the membership will continue to be provided where the Computer Virus Exclusion Clause does not apply. Unlike many other insurers, the Association has not had a coronavirus exclusion clause applied to its reinsurance programme this year and so has been able to leave its cover for Members in this area unchanged.

Members' needs are at the heart of all that we do and the Association will continue to support Members with competitive premium rates, wider cover, and superior service. It is pleasing to see a broad representation of the Membership on the new Members' Committee, a policy that the Association will maintain in future.

I would like to thank the Members' Committee, the Directors and the Managers for their time and effort in ensuring that the Association's success continues.

M F Lykiardopulo
Chairman
19 May 2021

Directors' Report

The Directors have pleasure in presenting their Report and the Consolidated Financial Statements of Hellenic Mutual War Risks Association (Bermuda) Limited (the "Association") for the year ended 31 December 2020.

Principal Activity
The principal activity of the Association continued to be the insurance of Greek owned merchant ships against war risks. During the year, the Association submitted Economic Substance declarations in Bermuda and the Isle of Man. Both declarations confirmed that under Isle of Man Economic Substance Regulations, the Core Income Generating Activity is performed in the Isle of Man.

Directors
On 4 November 2020 the Association made changes to its structure and created a newly formed Executive Board which sits above the newly formed Members' Committee. The current Directors of the Executive Board of the Association and dates of appointment during the financial year and to date are shown on page 6. (The Members' Committee members are also shown on page 6).

Contributions and Premiums
The underwriting income for the year amounted to US$9,897,000 (2019: US$14,370,000), of which 16% (US$1,640,000) represented income from advance contributions and 84% (US$8,257,000) represented income from additional premiums.

Investments
The Association's Investment Fund increased to US$158,411,000 as at 31 December 2020 (2019: US$151,772,000). US$33,933,000 was held in cash, cash funds or money market instruments, US$98,005,000 was invested in US Dollar bonds, and US$26,473,000 was invested in equity (exchange traded) funds.

Reserves
The balance of the Association's funds as at 31 December 2020, including the Statutory Reserve Fund of US$240,000, stood at US$117,549,000 (2019:US$119,498,000).

Directors' Meetings

The Directors met three times during 2020: via videoconference on 14 May, in Athens on 14 September and again via videoconference on 23 November.

At every meeting, the Directors reviewed the total value of the ships insured by the Association, as well as the Association's financial position and reports from the Investment Managers on the investment of the Association's funds.

At the May meeting, the Directors reviewed the application of the Isle of Man Financial Services Authority's Code of Corporate Governance to the Association and confirmed the Association's continued compliance with the Code. They also confirmed the Association's compliance with the Bermuda Insurance Code of Conduct.

During the year, the Directors considered a renewal report and various issues relating to marketing, including to target fleets not currently entered for war risks with the Association. At the November meeting, the Directors undertook a detailed review of the proposed terms for renewal of the Association's reinsurance programme prior to authorising its renewal, as well as considering the Rates and Terms to Members for 2021.

AP Areas

As at 1 January 2021, the Additional Premium ("AP") Areas pursuant to Rule 15 were as follows:

Africa: Benin, Gulf of Guinea, but only in respect of the area enclosed by:
on the western side, from the coast of Togo 6° 06' 45' N, 1° 12' E, south to High seas point 0° 40' S, 3° 00' E
And then east to Cape Lopez Peninsula, Gabon 0° 40' S, 8° 42' E.

Libya, Nigeria, Somalia and Togo;

Middle East: Iran, Iraq, Israel, Lebanon, Oman, Persian or Arabian Gulf and adjacent waters including the Gulf of Oman west of Longitude 58° E, Saudi Arabia (Gulf Coast), Saudi Arabia (Red Sea Coast) excluding transits, Syria, United Arab Emirates and Yemen;

South America: Venezuela;

Indian Ocean / Arabian Sea / Gulf of Aden / Gulf of Oman / Southern Red Sea:

The waters enclosed by the following boundaries:
On the north-west, by the Red Sea, south of Latitude15° N
on the west of the Gulf of Oman by Longitude 58° E
on the east, Longitude 65° E
and on the south, Latitude 12° S

The Association's AP Areas as at 1 January 2021, as well as the parameters for Somalia, Gulf of Aden/ Indian Ocean and Yemen (including Transits of all four Areas) are described in detail in Circular C8/2020, which can be read on and downloaded from the Association's website.

Members' attention is also drawn to the terms of Rule 25, which deal exclusively with AP Areas. Members are required to give written notice before a ship enters any AP Area. If notice is not given, the ship has no cover while in the AP Area unless otherwise agreed by the Directors.

Directors' Responsibilities Statement

The following statement, which should be read in conjunction with the Independent Auditors' Report, set out on pages 14–15, is made for the purpose of clarifying for Members the respective responsibilities of the Directors and the Auditors in the preparation of the Consolidated Financial Statements.

Bermudian company law requires the Directors to prepare financial statements, which give a true and fair view of the state of affairs of the Association as at 31 December 2020 and of the deficit of the Association for the year then ended. In the preparation of these financial statements, the Directors are required to ensure that they:

- select suitable accounting policies and 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 Consolidated Financial Statements;
- prepare the Consolidated Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business;
- develop internal controls over the financial reporting process to provide reasonable assurance that relevant and reliable financial information is produced; and
- oversee management's performance of its financial reporting responsibilities.

The Directors fulfil these responsibilities by reviewing financial information prepared by management and discussing relevant matters with management and the Association's external auditors.

The Directors are responsible for the keeping of proper accounting records which disclose, with reasonable accuracy, at any time, the financial position of the Association and to enable them to ensure that the Consolidated Financial Statements comply with regulatory requirements. They are also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Messrs Moore Stephens & Butterfield, the Association's Auditors, are willing to continue in office. A resolution to reappoint them and to authorise the Directors to determine their remuneration will be submitted to the forthcoming Annual General Meeting.

Website

The Report and Consolidated Financial Statements may also be read and downloaded from the Association's website at hellenicwarrisks.com.

A E Sodergren
Chair of the Executive Board
19 May 2021

Independent Auditors' Report

Independent Auditors' Report to the Members of Hellenic Mutual War Risks Association (Bermuda) Limited

Opinion

We have audited the consolidated financial statements of Hellenic Mutual War Risks Association (Bermuda) Limited and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements are prepared, in all material respects, in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda and Canada. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management 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 management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing 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 financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, 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 management.
- Conclude on the appropriateness of management's 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 auditor's report to the related disclosures in the consolidated financial statements 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 auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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.

Other matter

This report is made solely to the Group's members, as a body. Our audit work has been undertaken so that we might state to the Group's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

Chartered Professional Accountants
Hamilton, Bermuda
May 19, 2021

A member firm of Moore Stephens International
- members in principal cities throughout the world.

Accounts

Consolidated Statement of Comprehensive Income for the year ended 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
Revenue			
Contributions and premiums	3	9,897	14,370
Reinsurance premiums	4	(15,874)	(13,769)
		(5,977)	**601**
Expenditure			
Net incurred claims	5	(250)	(249)
Acquisition costs		(43)	(59)
Operating expenses	6	(4,579)	(4,206)
Net exchange gain	7	493	272
		(4,379)	**(4,242)**
Operating loss		(10,356)	(3,641)
Investment return	8	8,397	11,886
Net (loss) / income for the year before taxes		**(1,959)**	**8,245**
Income tax deferred		10	12
Net (loss) / income for the year		**(1,949)**	**8,257**
General reserve at beginning of year		119,258	111,001
General reserve at end of year	18	**117,309**	**119,258**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Accounts

Consolidated Statement of Financial Position for the year ended 31 December 2020

	Notes	2020 US$ '000	2019 US$ '000
Assets			
Cash and cash equivalents	14	33,933	23,640
Financial assets at fair value through profit and loss	9 and 14	124,797	128,132
Accrued interest		563	585
Sundry receivables	15	13,827	12,052
Amounts due from Members	16	2,525	17,694
Reinsurance recoveries on outstanding claims	11	4,609	2,240
Fixed assets net	13	1,114	1,048
		181,368	**185,391**
Liabilities			
Outstanding claims	10 and 11	(4,859)	(2,240)
Payables	17	(58,797)	(63,494)
Tax and social security contributions		(163)	(159)
		(63,819)	**(65,893)**
Total net assets		**117,549**	**119,498**
Funds			
Statutory reserve	18	240	240
General reserve	18	117,309	119,258
Total funds		**117,549**	**119,498**

Chair of the Executive Board: Mrs A E Sodergren
Director: Mr N Verardi
Managers: Thomas Miller (Bermuda) Limited
Date: 19 May 2021
The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2020

	Notes	Company 2020 US$ '000	Company 2019 US$ '000	Group 2020 US$ '000	Group 2019 US$ '000
Funds					
Statutory reserve balance brought forward		240	240	240	240
General reserve balance brought forward		119,258	111,116	119,258	111,001
		119,498	**111,356**	**119,498**	**111,241**
Net (loss) / income for the year		(1,949)	8,142	(1,949)	8,257
Funds at end of year		**117,549**	**119,498**	**117,549**	**119,498**
Statutory reserve	18	240	240	240	240
General reserve	18	117,309	119,258	117,309	119,258
Total funds		**117,549**	**119,498**	**117,549**	**119,498**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2020

	2020 US$ '000	2019 US$ '000
Cash flows from operating activities		
Net (loss) / income for the year	(1,949)	8,257
Adjustments for:		
Net gain on sale of financial investments	(6,565)	(4,114)
Net unrealised loss / (gain) on valuation of financial investments	536	(4,904)
Depreciation and impairment	31	28
Changes in working capital:		
Increase in reinsurance recoveries on outstanding claims	(2,369)	(635)
Increase in sundry receivables	(1,775)	(9,303)
Decrease / (increase) in accrued interest	22	(54)
Decrease / (increase) in amounts due from Members	15,169	(18,072)
Increase in outstanding claims	2,619	407
(Decrease) / increase in payables	(4,697)	49,544
Increase / (decrease) in tax and social security contributions	4	(44)
Cash flows from operating activities	**1,026**	**21,110**
Cash flows from investing activities		
Purchase of financial investments	(136,559)	(111,953)
Proceeds from sale of financial investments	145,923	103,403
Cash flows from / (used in) investing activities	9,364	(8,550)
Foreign currency translation	(97)	21
Net increase in cash and cash equivalents	10,293	12,581
Cash and cash equivalents at beginning of year	23,640	11,059
Cash and cash equivalents at end of year	**33,933**	**23,640**

The accompanying notes form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020

1. Constitution

Hellenic Mutual War Risks Association (Bermuda) Limited (the "Association") insures Greek owned merchant ships against war risks. The Association was incorporated as an exempt company in Bermuda under an Act of the Bermuda Legislature. The Association's Rules and Bye-Laws contain details of powers concerning the conduct of the business and management of the Association. The Association holds an insurance permit under section 22 of the Insurance Act 2008 (an Act of Tynwald) to carry out insurance business in or from the Isle of Man. The Association is subject to Isle of Man income tax at a rate of 0%. Under current Bermuda law, the Association is not required to pay any taxes in Bermuda on either income or capital gains. The Association has received an undertaking from the Minister of Finance in Bermuda that in the event of any such taxes being imposed, the Association will be exempted from taxation until the year 2035.

2. Accounting policies

a) General information and statement of compliance with IFRS

These consolidated financial statements of the Association have been prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated financial statements have been prepared on a historical cost basis, except that listed investments have been measured at fair value as disclosed in note 2(J) and note 9. All transactions relate to continuing activities.

All premiums are classified as insurance premiums under IFRS 4 "Insurance Contracts" and have been recognised within the Statement of Comprehensive Income. Therefore, the Company has elected to take advantage of the exemption under Paragraph 19 (3) of the Isle of Man Insurance Regulations 2018, not to prepare Regulatory Information.

The consolidated financial statements for the year ended 31 December 2020 (including comparatives) were approved and authorised for issue by the Board of Directors on 19 May 2021.

b) Principles of consolidation

The Association owns 100% of the issued share capital of Hellenic Shipping War Risks Services Single Member SA, a company incorporated in Greece. (Formerly Hellenic Shipping War Risks Insurance S.A., which in Greek was named Ellinikai Naftiliakai Asfalissis Kata Kindinon Polemou A.E. ("Ellinikai")).

The consolidated financial statements include the accounts of the Association and Hellenic Shipping War Risks Services Single Member SA. The consolidation is conducted under the historical cost convention.

c) Policy Year accounting

For internal accounting and reporting purposes, the Association follows Policy Year accounting.

Contributions and premiums, reinsurance premiums payable, claims and reinsurance recoveries are allocated to the Policy Years to which they relate.

Investment income, profits/losses on sale of investments and currency exchange gains/losses are allocated proportionally to the funds on the General Reserve and open Policy Years.

The management fee and general expenses are allocated to the current Policy Year.

d) Non-US dollar currencies

The consolidated financial statements have been drawn up in US dollars, the presentation currency of the Association.

Foreign currency assets and liabilities and movement on forward currency contracts have been translated at the closing US dollar exchange rate at the year end. The resultant difference is included within exchange gains/losses (see note 7).

Revenue transactions are translated into US dollars at the closing rate applicable for the month in which the transaction took place.

All exchange gains/losses whether realised or unrealised have been included in the Consolidated Statement of Comprehensive Income.

e) Contributions and premiums

Contributions and premiums, less returns, are the total receivable for the whole period of cover provided by the contracts incepting during the accounting period together with any premium adjustments relating to prior accounting periods.

2. Accounting policies (continued)

f) Claims

Incurred claims include claims paid, the estimated cost of known outstanding claims and a provision for incurred but not reported claims. These amounts are shown net of reinsurance recoveries in the Consolidated Statement of Comprehensive Income.

Estimated costs of known outstanding claims are based on the Managers' best assessment and judgement of the expected final costs of any claim, relying on the information available at the time. Inherent in these estimates are factors that could vary as the claims develop, including reports on the background facts of an incident and advice from lawyers appointed on the Association's behalf. Accordingly, the amounts provided for estimated outstanding claims may differ materially from the Association's ultimate liability for such claims. Estimates on individual claims are reviewed on a regular basis and any differences are recorded in the period in which they are determined. Outstanding claims in the consolidated statement of financial position are shown gross and reinsurance recoveries are shown as an asset.

The provision for claims incurred but not reported is based on the Managers' best estimate of the final cost of any claims arising out of events that occurred during the year, but which have not currently been reported to the Association. The Association does not experience a volume of claims sufficient to allow meaningful actuarial analysis and so the estimate is based on the Managers' assessment of the likelihood of claims being incurred but not reported. Accordingly, the provision for claims incurred but not reported may differ materially from the actual amount of such claims and differences are recorded in the period in which they are determined.

g) Reinsurance recoveries

The amount credited to the Consolidated Statement of Comprehensive Income for reinsurance recoveries relates to recoveries on claims incurred during the year.

h) Reinsurance premiums

Reinsurance premiums payable by the Association are charged to the Consolidated Statement of Comprehensive Income on an accruals basis. Reinsurance does not relieve the Association's obligations to insured Members and a reinsurer insolvency could expose the Association to the risk of loss. Accordingly provisions are established for any reinsurance amounts due that management deems to be uncollectible.

i) Investment return

Investment return comprises interest received and accrued on bonds and bank deposits, dividend receipts and profits and losses on the disposal of investments.

j) Investments

Bonds, mutual funds and alternatives funds are stated at fair value through profit and loss and are held in the trading portfolio. Fair value is determined to be the market value as at the end of each reporting period. An impairment review is carried out on each holding at the end of each reporting period and any movements arising are recognised in the Consolidated Statement of Comprehensive Income.

k) Fixed assets and depreciation and impairment

The fair value of the Group's Land and Buildings was arrived at on the basis of a valuation carried out as at 1 January 2014 by Messrs Savills plc, independent valuers not connected with the Association. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties. The fair value by this valuation was treated as deemed cost by the Association as per IFRS 1. The valuation of the Land and Buildings have since been reassessed by Savills plc as at 31 December 2018, and a resulting impairment loss was recorded in that year.

The valuation as at 1 January 2014, as mentioned above has also provided an estimation for the useful life of each asset (with a range of 26 to 32 years from the valuation date) on which the yearly depreciation amounts have been calculated on a straight line basis.

Depreciation regarding Furniture & Fittings is calculated at rates between 10% and 20% from the first day of usage (and on a straight line basis) of each component, up to its respective estimated residual value.

l) Reserves

The permitted purposes for which the funds and reserves are maintained are stated within the Association's Rules.

m) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Cash equivalents are investments with original maturity of three months or less from the date of acquisition. (The cash and cash equivalents of the Association are analysed in more detail in note 14).

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

2. Accounting policies (continued)

n) Financial instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Amounts due from members and sundry receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Association's cash and cash equivalents, amounts due from members and sundry receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of derivative financial instruments are determined by reference to active market transactions or using a valuation technique where no active market exists.

Financial liabilities

The Association's financial liabilities consist of its payables and other creditors, which are stated at their nominal value. The Association recognises a liability if a present obligation has arisen as a result of a past event, payment is probable and the amount can be measured reliably. The amount stated is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, that is, the amount the Association would pay to settle the obligation to a third party.

2. Accounting policies (continued)

o) Significant accounting judgements, estimates and assumptions

The following are significant management judgements, estimates and assumptions in applying the accounting policies of the Association that have the most significant effect on the consolidated financial statements.

Impairment

An impairment loss is recognised for the amount by which an asset's carrying amount exceeds its recoverable amount. The recoverable amount is determined by managements best estimate. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Claims

The Association is currently handling various claims where the actual outcome may vary from the amount recognised in the consolidated financial statements. None of the provisions will be discussed here in further detail so as not to seriously prejudice the Association's position in the related claims (see also note 2(f)).

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the consolidated statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities.

The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. The financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	2020 Level 1 US$ '000	2020 Level 2 US$ '000	2019 Level 1 US$ '000	2019 Level 2 US$ '000
Assets				
Bonds & Equities	124,478	-	127,992	-
Net fair value	**124,478**	**-**	**127,992**	**-**

During the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

2. Accounting policies (continued)

Measurement of fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous reporting period.

All the listed equity securities are denominated and are publicly traded in US Dollars or in Euros. Fair values have been determined by reference to their quoted bid prices at the reporting date.

The fair value of the Association's investments in money market funds has been determined by reference to their quoted bid prices at the reporting date. Gains and losses are recorded within investment return.

Gains or losses recognised in profit or loss for the period are presented in investment return and analysed in note 8 to the consolidated financial statements.

p) Future accounting pronouncements

At the date of authorisation of these consolidated financial statements, certain new standards, amendments and interpretations to existing standards have been published.

Managements policy is that all of the relevant pronouncements will be adopted in the Association's accounting policy for the first period beginning after the effective date of the pronouncement, unless there are applicable and relevant exemptions available. Information on new standards, amendments and interpretations that are expected to be relevant to the Association's financial statements are provided below. Certain other new standards and interpretations have been issued that are not expected to have a material impact on the Association's overall consolidated financial statements presentation.

IFRS 9 Financial instruments

IFRS 9, which has been issued with an effective date of 1 January 2018, aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. However, under section 20A of IFRS 4, there is an exemption from applying IFRS 9, provided certain criteria are met. As the Association satisfies the criteria, detailed in section 20B of IFRS 4, it is not applying IFRS 9 while the exemption is available. The Association will apply IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning before 1 January 2022, when the exemption is no longer available.

IFRS 17 Insurance Contracts

This IFRS has been issued and will replace IFRS 4 on accounting for insurance contracts. It has an effective date of 1 January 2023.

3. Contributions and premiums

	2020 US$ '000	2019 US$ '000
Advance contributions	1,640	1,348
Additional premiums	8,257	13,022
	9,897	**14,370**

Before the start of each Policy Year, the Directors decide the rate of advance contribution to be paid for that year, expressed as a percentage of the total sum insured in respect of each entered ship. The level of the Association's income from advance contributions may be affected by changes in the number or value of ships entered. Any reduction in advance contribution income would result in reductions in initial reinsurance premiums and in acquisition costs (brokerage). For example, had there been a 10% (US$164,000) reduction in the level of 2020 advance contributions, there would have been corresponding reductions of US$102,300 in initial reinsurance premiums and US$4,300 in acquisition costs. All other things being equal, a 10% reduction in advance contribution income would, therefore, have decreased the operating result by US$57,400.

The level of the Association's income from additional premiums may be affected by the number of additional premium areas and the rates charged for trading to those areas. It may also be affected by changes in the number or value of ships entered. Any reduction in additional premium income would result in a reduction in additional reinsurance premium. For example, had there been a 10% (US$825,700) reduction in the level of 2020 additional premium, there would have been a corresponding reduction of US$1,485,100 in additional reinsurance premium. All other things being equal, a 10% reduction in additional premium income would, therefore, have increased the operating result by US$659,400.

Insurance risk is the likelihood that the Association will have to pay a claim. Claims exposure is primarily mitigated by a strategy of risk transfer through the Association's reinsurance programme. The Association's underwriting policy, which the Board reviews at least once a year, is also used to manage this risk.

4. Reinsurance premiums

	2020 US$ '000	2019 US$ '000
Initial	1,023	791
Additional	14,851	12,978
	15,874	**13,769**

The rate the Association is charged for the initial reinsurance, which the Directors agree at their November meeting, is fixed before the start of each Policy Year and applies for the whole year. The reinsurance rates the Association is charged for voyages into additional premium areas are assessed on a voyage by voyage basis and vary according to the prevailing situation in each area. The level of the Association's additional premium reinsurance cost may also be affected by changes in the number of areas. Any increase in this reinsurance cost would result in higher additional premium income. For example, had there been a 10% (US$1,485,100) increase in additional premium reinsurance cost, there would have been a corresponding increase of US$825,700 in additional premium income. All other things being equal, the operating result would, therefore, have decreased by US$659,400.

Reinsurance risk is mitigated by placing reinsurance only with underwriters rated 'A' or above by AM Best or Standard & Poor's and by the careful monitoring of individual reinsurers' line sizes. The Association's reinsurance contract includes a term giving it the right to remove any underwriter that loses its 'A' rating. The Board reviews reinsurance annually before renewal.

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

5. Net incurred claims

	2020 US$ '000	2019 US$ '000
Gross claims paid	1,034	1,908
Less: reinsurance recoveries	(1,034)	(1,431)
Net claims paid	**-**	**477**
Increase in provision for outstanding claims	2,619	407
Increase in provision for reinsurance recoveries	(2,369)	(635)
Increase / (Decrease) in net claims provisions	250	(228)
Net incurred claims	**250**	**249**

The Association is protected against the incidence of claims by reinsurance treaties under which the Association obtains recovery in full from its reinsurers in respect of all claims arising out of events occurring in all additional premium areas except for transits of the Indian Ocean / Arabian Sea / Gulf of Aden / Gulf of Oman / Southern Red Sea AP area, for which the Association continues to maintain a deductible of $250,000 in respect of each and every incident. No claims were incurred in this AP area in 2020 although suspicious approaches and incidents continued to be reported. Since the 1997 Policy Year, the Association obtains recovery from reinsurers in excess of an annual aggregate deductible of US$250,000 in respect of all claims arising out of events occurring in non-additional premium areas.

6. Operating expenses

	Notes	2020 US$ '000	2019 US$ '000
Management fee	19	2,976	2,951
Charitable donations		414	157
Legal and other professional charges		245	48
Greek office expenses (Branch and Ellinikai)		184	168
Consultancy fees		175	-
Employee costs		154	134
Audit fees		97	118
Insurance expenses		73	72
Bank and finance charges		38	27
Directors' fees		32	23
Depreciation, amortisation and impairment	13	31	28
Directors' meetings – travel and hotel expenses		30	294
Promotional expenses		28	28
Government fees		27	27
Communications – telephone and postage		25	28
Managers' travel		22	57
Printing and stationery		18	32
NATO PBOS Working Group		10	14
		4,579	**4,206**

7. Net exchange gain

	2020 US$ '000	2019 US$ '000
Net exchange gain on operating activities	493	272

8. Investment return

	2020 US$ '000	2019 US$ '000
Interest on bonds	2,272	2,643
Interest on bank deposits	69	150
Net gain on sale of bond securities	1,371	863
Net gain on sale of alternatives funds	4	568
Net gain on sale of equity securities	5,190	2,683
Rental / other income	49	96
	8,955	7,003
Net unrealised (loss) / gain on valuation of equity securities	(589)	4,327
Net unrealised loss on valuation of alternatives funds	-	(388)
Net unrealised gain on valuation of bond securities	31	944
	(558)	4,883
Investment return	**8,397**	**11,886**

9. Investments

	2020 US$ '000	2019 US$ '000
Bonds	98,005	98,653
Equities	26,473	29,339
Total listed investments at market value - cost US$116,046 (2019 US$119,027)	124,478	127,992
Forward contracts receivable (see note 14)	319	140
Financial assets at fair value	**124,797**	**128,132**

9. Investments (continued)

The market value of the Association's investments in bonds may be affected by changes in the prevailing level of interest rates. At the date of the Consolidated Statement of Financial Position, the investments in bonds had effective interest rates between 0.125% and 4.5% (2019: 1.125% and 4.5%).

The risk of changes in interest rates, and other market risks, are managed by the Association's investment policy. The Investment Managers keep asset allocation under review, adjusting it according to the prevailing interest rates and other changes in the financial markets.

i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. The modified duration is an indicator of the sensitivity of the assets and liabilities to changes in the current interest rates. The Association manages this risk through the specific investment guidelines under which the Investment Manager operates. At 31 December 2020, an increase / decrease of 50 basis points in interest yields, with all other variables held constant, profit for the year would have been US$556,711 lower / higher.

ii) Market risk

Market risk is the risk of changes in the financial markets affecting the value of the Association's investments. It is managed by the Association's investment policy, which is monitored by means of reports from the Investment Managers to the Directors at each Board meeting.

iii) Equity price risk

The Association is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. The majority of investments held are listed and traded on the New York Stock Exchange and other recognised exchanges.

If the New York Stock Exchange had increased / decreased by 5%, with all other variables held constant, and all the Association's equity investments moving according to historical correlation with the index the profit for the year would increase/ decrease by US$1,323,650 respectively.

No loans have been made to Directors, Officers or Managers and none are contemplated.

No other unquoted investments were held during the year.

All quoted investments are listed on major stock exchanges.

10. Claims development

	2011 US$ '000	2012 US$ '000	2013 US$ '000	2014 US$ '000	2015 US$ '000
As at end of first financial year	32,904	8,181	642	365	4,364
One year later	28,029	8,909	551	314	7,542
Two years later	29,643	11,425	552	288	7,654
Three years later	26,242	10,255	552	288	7,755
Four years later	26,244	9,965	552	288	7,774
Five years later	26,048	9,424	552	288	7,776
Six years later	26,048	9,424	552	288	-
Seven years later	26,048	9,406	552	-	-
Eight years later	26,048	9,406	-	-	-
Nine years later	26,048	-	-	-	-
Current estimate	26,048	9,406	552	288	7,776
Cumulative payments	(26,048)	(9,406)	(552)	(288)	(7,543)
	-	**-**	**-**	**-**	**233**

	2016 US$ '000	2017 US$ '000	2018 US$ '000	2019 US$ '000	2020 US$ '000
As at end of first financial year	696	512	308	2,379	4,862
One year later	597	458	249	2,230	
Two years later	594	451	249	-	
Three years later	594	451	-	-	
Four years later	592	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Eight years later	-	-	-	-	
Nine years later	-	-	-	-	
Current estimate	592	451	249	2,230	4,862
Cumulative payments	(592)	(451)	(249)	(2,046)	(572)
	-	**-**	**-**	**184**	**4,290**

Total	4,707
Claims reserves on earlier years	152
Claims reserves	**4,859**

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

11. Outstanding claims

	2020 US$ '000			2019 US$ '000		
	Gross	Recoverable	Net	Gross	Recoverable	Net
Reported unpaid claims relating to:						
open underwriting years:						
2020	4,290	(4,040)	250	-	-	-
Closed underwriting years						
2019	-	-	-	774	(774)	-
Previously closed underwriting years	569	(569)	-	1,466	(1,466)	-
	4,859	**(4,609)**	**250**	**2,240**	**(2,240)**	**-**

At the November 2020 board meeting the Directors closed the 2019 underwriting year.

12. Contingent liability

In September 2020 the Greek Supreme Court dismissed Owner's appeal in the long running case of the DEMETRA BEAUTY, which stemmed from the loss of the ship in the Gulf of Oman in January 1991 and Owner's subsequent claim on the Association. In previous years the Association reported that the Association believed it had no liability for this claim, which has been borne out by the Court's decision. The estimate in respect of legal costs to continue to defend the claim has been removed accordingly in 2021.

13. Fixed assets

	Land and Buildings US$ '000	Furniture and Fittings US$ '000	Total US$ '000
Cost			
At 1 January 2020	2,068	57	2,125
Additions	-	1	1
Foreign currency translation adjustment	186	5	191
At 31 December 2020	2,254	63	2,317
Accumulated depreciation			
At 1 January 2020	(1,021)	(56)	(1,077)
Depreciation (see note 6)	(31)	-	(31)
Foreign currency translation adjustment	(90)	(5)	(95)
At 31 December 2020	(1,142)	(61)	(1,203)
Net Book Value			
At 31 December 2020	1,112	2	1,114
At 31 December 2019	1,047	1	1,048

Included within land and buildings is investment property of $1,048,000 (2019: $987,000).

14. Cash and investments summary

Cash and cash equivalents and investments	2020 Cost US$ '000	2020 Fair Value US$ '000	2019 Cost US$ '000	2019 Fair Value US$ '000
Interest bearing securities	97,182	98,005	97,865	98,653
Cash and cash equivalents	33,608	33,608	23,208	23,208
Alternatives funds	-	-	-	-
Equities	18,864	26,473	21,162	29,339
Forward contracts receivable (see note 9)	-	319	-	140
Company Total	149,654	158,405	142,235	151,340
Subsidiary cash	325	325	432	432
Cash and cash equivalents and investments	**149,979**	**158,730**	**142,667**	**151,772**

15. Sundry receivables

	Company		Group	
	2020 US$ '000	2019 US$ '000	2020 US$ '000	2019 US$ '000
Claims recoverable from reinsurers	357	1,191	357	1,191
Other receivables and prepayments	13,439	10,835	13,470	10,861
	13,796	**12,026**	**13,827**	**12,052**

16. Amounts due from Members

	Company		Group	
	2020 US$ '000	2019 US$ '000	2020 US$ '000	2019 US$ '000
Amounts due:-				
Less than two months	1,766	16,261	1,766	16,261
Two to three months	2,088	2,430	2,088	2,430
Over three months	(1,329)	(997)	(1,329)	(997)
	2,525	**17,694**	**2,525**	**17,694**

17. Payables

	Company		Group	
	2020 US$ '000	2019 US$ '000	2020 US$ '000	2019 US$ '000
Members' balances	45,095	46,304	45,095	46,304
Reinsurance balances	13,311	16,878	13,311	16,878
Accrued expenses and deferred income	337	277	391	312
	58,743	**63,459**	**58,797**	**63,494**

Notes to the Consolidated Financial Statements for the year ended 31 December 2020 (continued)

18. Solvency Requirements and Reserves

The Association is authorised and regulated by the Bermuda Monetary Authority and the Isle of Man Financial Services Authority. Its reserves comfortably exceed current requirements in both jurisdictions.

The minimum solvency margin required for a class 2 insurer in Bermuda for 2020 was US$250,000 (2019: US$250,000), as set out in the Insurance Act 1978, amendments thereto and related Regulations insofar as such provisions relate to accounting and financial reporting matters.

The provisions of the Isle of Man Insurance Regulations 2018 set the minimum level of solvency required of the Association in the Isle of Man. The level is based on the net premiums written during the year, converted at the sterling rate of exchange prevailing at the year end. The solvency margin required for 2020 was US$68,000 (2019: US$126,000).

The Association is also required to maintain a reserve fund of at least US$240,000 as set out in the legislation under which the Association is incorporated.

As at 31 December 2020 the balance of the Association's funds, including the Statutory Reserve Fund of US$240,000, was US$117.5 million. The Association, therefore, complied with the externally imposed capital requirements to which it is subject.

The General Reserve is available to meet the whole or any part of the claims, costs, expenses and outgoings on any closed Policy Year or years to the extent that the contributions and premiums paid in respect of such year or years are insufficient to meet those claims, costs, expenses and outgoings.

The Directors' reserving policy, agreed in 2020, highlights the need for reserves: to demonstrate financial security; to meet statutory solvency requirements; and to minimise the impact of matters outside the scope of solvency requirements that could materially affect the Association's financial results.

Reserves could, if necessary in the future, also be used to minimise the effect of any material change in the Association's financial results on the level of contributions paid by Members. For example, if the insurance market changed significantly, so that capacity contracted, or if for any other reason reinsurance rates increased sharply, the Association's reserves would allow it to finance a greater retention of risk, to reduce the effect of any rates increase on the membership and to allow adjustment to a higher rate environment by stages.

19. Related party disclosures

The Association has no share capital and is controlled by the Members, who are also the insureds. The subsequent insurance transactions are consequently deemed to be between related parties but these are the only transactions between the Association and the Members.

All but two of the Directors (who are Bermuda and Isle of Man residents) are representatives or agents of member companies and other than the insurance and membership interests of the Directors' companies, the Directors have no financial interests in the Association.

Thomas Miller Investment (Isle of Man) Limited acted as Investment Managers on behalf of the Association during the year. Fees for these services are included in the US$2,976,000 Management Fee (2019: US$2,951,000) paid to the Managers during the year, which is disclosed in note 6 of the financial statements. These transactions were conducted at an arms-length basis.

Hellenic Mutual War Risks Association (IOM) Limited ("HMWRA IOM") has a Protection of Funds agreement in place with the Association. This agreement would allow HMWRA IOM to take over the business and the provision of insurance by the Association to its members should the political and commercial environment in Bermuda destabilise. The likelihood of such occurrences happening in Bermuda is considered minimal, and HMWRA IOM is therefore expected to remain dormant for the foreseeable future.

While HMWRA IOM remains dormant, the Association bears all expenses for HMWRA IOM with the exception of bank charges. The expenses amounted to £9,806 during the year to 31 December 2020 (2019: £9,702). The Association continues to maintain a guarantee fund facility of £50,000 with HMWRA IOM.

20. Investment in subsidiary

The Association owns 100% of the issued share capital of Hellenic Shipping War Risks Services Single Member SA, (Formerly Hellenic Shipping War Risks Insurance S.A., which in Greek was named Ellinikai Naftiliakai Asfalissis Kata Kindinon Polemou A.E. ("Ellinikai")), a company incorporated in Greece.

21. Financial risk management

Credit risk

Credit risk is the risk of losses caused by other parties failing, in whole or in part, to meet obligations to the Association. Debtor exposure is mitigated because it is widely spread across the membership. This exposure is monitored by means of thrice yearly reports from the Managers to the Board and approximately monthly reports to the Chairman and Deputy Chairman, and it is the Association's policy not to confirm renewal to any Member with amounts overdue.

Concentrations of credit risk exist to the extent that, as at 31 December 2020, investments, cash and cash equivalents were held as follows:

	S&P Rating	2020 US$ '000	2019 US$ '000
Bank of New York	All AA- rated at least	98,504	98,744
Equity holdings	Not Rated	26,473	29,339
Standard Bank Isle of Man	Fitch BB+	25,791	-
Barclays Bank	A	-	17,243
Goldman Sachs Funds	AAA	7,287	5,856
Alpha Bank - Greece	B	356	450
		158,411	**151,632**

The Association monitors credit risk on a regular basis and manages risk by placing funds with counterparties that have high credit ratings as assigned by international credit rating agencies.

Liquidity risk

Liquidity risk is the risk of losses caused by assets not being liquid enough to meet obligations of the Association as they fall due. This exposure is monitored regularly by both the Managers and the Board, and significant levels of assets are maintained in very liquid instruments to minimise this exposure.

Maturity summary	Short term 0-3 months	3 months to 1 year	Over 1 year	Total
Cash and cash equivalents	33,608	-	-	33,608
Interest bearing securities	27,545	5,888	64,572	98,005
Equities	26,473	-	-	26,473
Company total	87,626	5,888	64,572	158,086
Subsidiary cash	325	-	-	325
Group total	**87,951**	**5,888**	**64,572**	**158,411**

21. Financial risk management (continued)

Currency risk

	Company		Group	
Currency exposure	**2020 %**	**2019 %**	**2020 %**	**2019 %**
Euro	4	-	5	1
Sterling	-	-	-	-
Dollar	96	100	95	99
	100	**100**	**100**	**100**

The Association has no exposure in any other currencies. All bank balances and cash and cash equivalents are held in American and European institutions.

22. Subsequent events

The Directors of the Company, its subsidiary and the Managers have reviewed and evaluated events from 1 January 2021, through to 19 May 2021, for potential recognition or disclosure in the notes to the consolidated financial statements.

Impact of COVID-19

At 19 May 2021 COVID-19 has had little to no impact on the Associations premium levels. The virus has not had any effect on claims.

In order to closely monitor the Association's portfolio the Investment Managers are providing regular investment up-dates to the Association's Directors.

The Association's consolidated portfolio, year to date, at 19 May 2021 was provisionally 2.39% or a return of US$2.96 million, which included a 0.43% return from cash & fixed income and an equity return of 10.11%. Cash & fixed income contributed 0.33% of the total return of 2.39%, and equities contributed the balance of 2.06%.

In 2020, the Association's investment portfolio gave a total return of 6.57%, compared with a benchmark return of 6.39%. The Association's cash & fixed income portfolio contributed 2.56% to the total return and the equity portfolio contributed 4.01%. The investment gain amounted to US$8.30 million. As a result of the Covid-19 shock, the portfolio suffered substantial losses in February 2020 and March 2020, as US equities and corporate bonds fell heavily. However, from the end of March onwards, the portfolio performed well, as equity and corporate bond markets recovered and government bonds largely held onto their gains. In 2020, portfolio management added value in equities (+0.05%) and in fixed income (+0.12%). The fixed income portfolio out-performed its benchmark, thanks largely to the position in US Treasury Inflation Protected bonds.

The Association's Managers' Agents have full capability to work remotely. Operational capability is being continually reviewed and adapted as the situation requires it and, in case of need, it is anticipated that full remote working arrangement can be implemented at very short notice, and continue long-term. These measures are in line with the Association's Managers' Crisis Management Team's ongoing response to the pandemic and high levels of service are being maintained.

Management believes that there are no other post-year-end events that need to be reflected in the consolidated financial statements or disclosed in the notes to the consolidated financial statements.

Managers and Officers

Managers

Thomas Miller (Bermuda) Limited

Secretary

Thomas Miller (Bermuda) Limited

Assistant Secretary

Thomas Miller (Isle of Man) Limited

Registered Office and Business Address of The Association

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