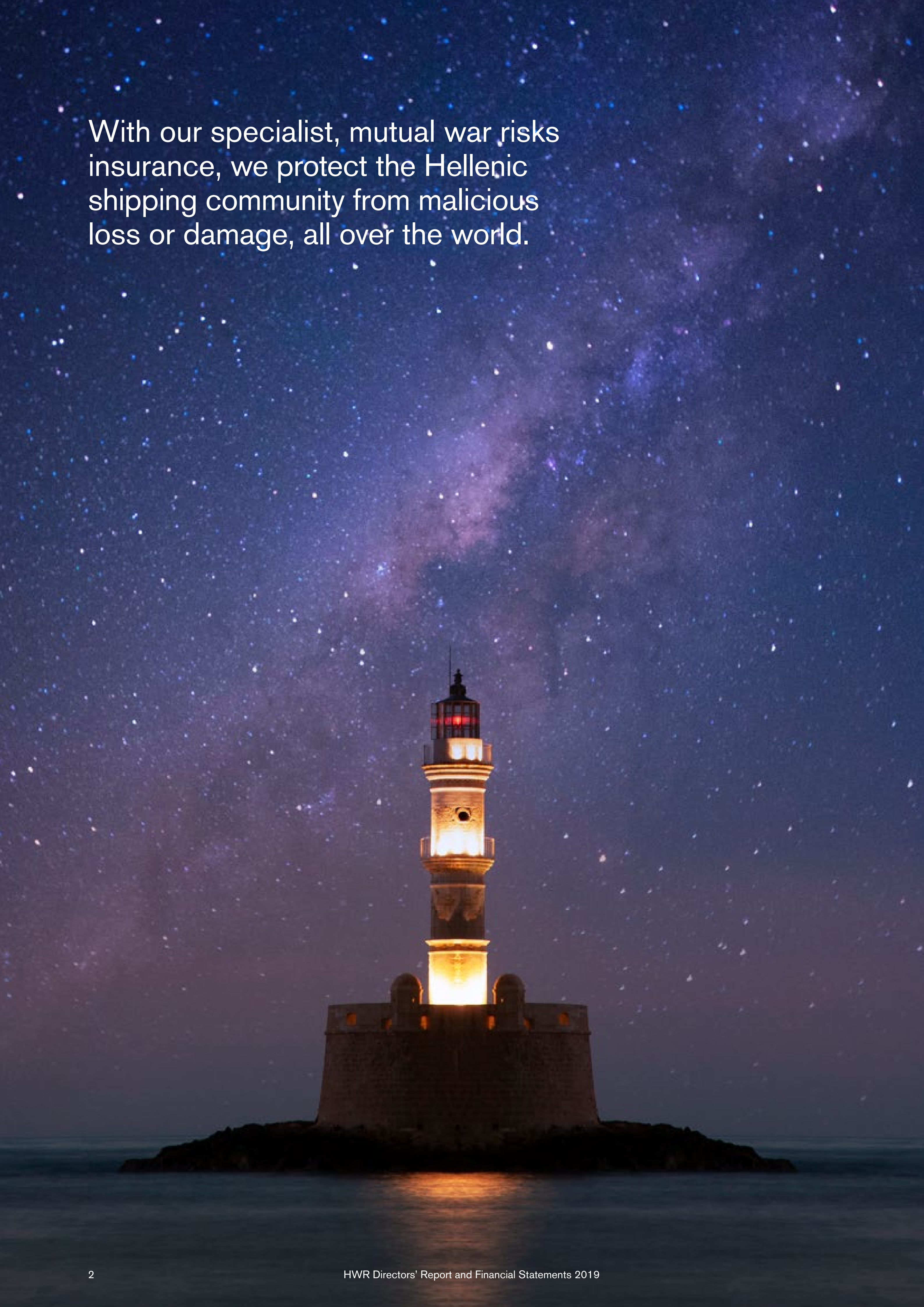
HELLENIC
WAR RISKS

Financial Statements

Directors' Report and Consolidated Financial Statements for the year ended 31 December 2019

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.



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Hellenic War Risks at a glance

Total Entered Value

$111bn

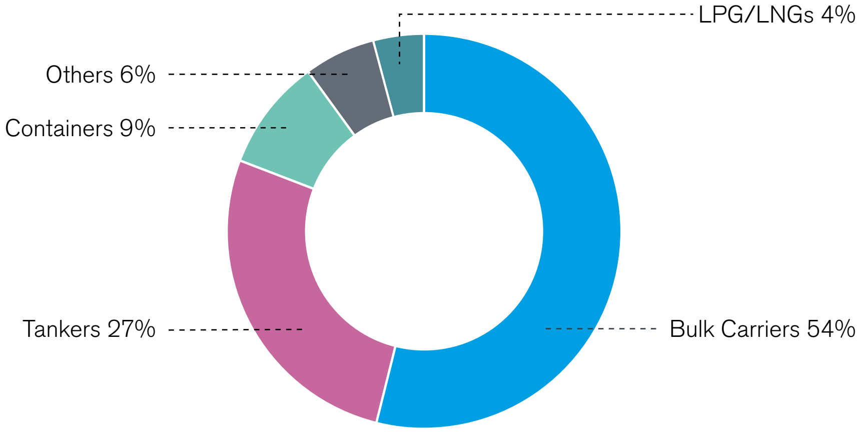
Result for the Year

$8.2m

Total Number of Ships Entered

3,012

Vessel Types



Investment Return

$11.8m

End of Year Reserves

$119m

Market share by G.T.

82%

As at 12 March 2020

Claims activity

8

The Association incurred eight claims in 2019 (2018, five claims)

Notice of Meeting

Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fiftieth 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 on 14 September 2020 for the following purposes:

To approve and adopt the Directors' Report and the Consolidated Financial Statements for the year ended 31 December 2019.

To elect Directors.

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
14 May 2020

Directors

Directors	Alternate Directors
M F Lykiardopulo - Chairman	
M G Pateras - Deputy Chairman	
C I Caroussis (appointed as Deputy Chairman 17 May 2019)	
G Embiricos (appointed as Deputy Chairman 17 May 2019)	
N C Martinos (appointed as Deputy Chairman 17 May 2019)	
M Angelicoussi	J A Angelicoussis
A M Chandris	
S J Fafalios	
A Frangou	
G J Goulandris	Y G Goulandris (appointed 18 November 2019)
P J Goulandris	
G J Goumas	
P Gripari	
P Hajioannou	
P E Kollakis	S Kollakis
P Laskaridis	S Laskaridis
A T Lemos	F P Lemos
M C Lemos	
P G Livanos	
S G Livanos	
M T Los (retired 16 September 2019)	
J M Lyras	M J Lyras
G D Pateras	
A Sodergren	
M Travlou	
N Veniamis	
R Zein	
G Karageorgiou (appointed 4 February 2020)	

Chairman's Statement

2019 was notable as a year of increased international tensions mainly in the Middle East. They spilled over and affected the shipping industry with the attacks on ships off Fujairah in mid-May followed by the attacks in the Gulf of Oman in mid-June and the detention, by Iran, of the STENA IMPERO. Fortunately, the Association was not involved in any of the incidents. However, the increased risk led to the introduction of new Additional Premium Areas in the Arabian Gulf followed by increased reinsurance costs which the Association was forced, regrettably, to pass on to Members. I am well aware of the resultant pressure brought on Owners by their Charterers and the Association's Directors and I instructed the Managers to pressure reinsurers to reduce rates, which led to three separate reductions before the year-end. This policy of ensuring that the Association is able to offer the most competitive Additional Premiums available, in all areas, continues.

Increased sanctions, particularly against Iran and Venezuela, were also cause for concern. However, provided all the Association's due diligence checks were satisfactory, the Association continued to be able to assist and provide cover for those Owners carrying out legal voyages.

Piracy off West Africa continued to be of concern. The International Maritime Bureau reported a decrease in the number of piracy incidents worldwide during 2019 compared to the same period in 2018, but crew kidnappings in the Gulf of Guinea reached a record level. The number of crew kidnapped in the Gulf of Guinea increased more than 50% from 78 in 2018 to 121 in 2019. Of particular concern is the worrying trend of pirates kidnapping increased numbers of crew. It remains vital that crews remain vigilant against the threat of piracy and follow the latest BMP recommendations.

The Association experienced eight claims during 2019, four of which involved West African piracy and kidnap for ransom. If the worst should happen, the Association has unrivalled experience in handling such cases and Owners can at least have the comfort that they will be guided by such a skilled team.

2019 was a very strong year for growth with new Owners joining the Association, former Owners re-joining and existing Owners adding to their fleets. After the renewal on 1 January 2020 the Association had a record number, over 3,000, of ships entered, with a total entered value over US$111 billion.

Following the small deficit in 2018, I am pleased to see the Association again returning to making a surplus of US$8.2 million in 2019. Investment returns, at US$11.8 million, were pleasing and total net assets increased to over US$119.5 million at year-end, such that the Association continues to be extremely well funded. Despite the hardening insurance market the Association's strong financial position enabled annual premium rates to be decreased by a further 10% at the 2020 renewal.

With some market underwriters reluctant to cover cyber risks I am also pleased that for the 2020 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.

As I promised last year, Loss Prevention activity continued and I am happy to note that the Managers held a very successful piracy risks seminar, in Athens, in March 2019.

Members' needs are at the heart of all that we do and the Directors and I will continue to support Members with competitive premium rates, wider cover, and superior service. It is pleasing to see such a broad representation of Members on the Board, which policy your Association intends to continue to pursue in the future.

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

M F Lykiardopulo
Chairman
14 May 2020

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 2019.

Principal Activity

The principal activity of the Association continued to be the insurance of Greek owned merchant ships against war risks.

Directors

The current Directors of the Association and dates of appointment during the financial year and to date are shown on page 6.

Contributions and Premiums

The underwriting income for the year amounted to US$14,370,000 (2018: US$8,016,000), of which 9% (US$1,348,000) represented income from advance contributions and 91% (US$13,022,000) represented income from additional premiums.

Investments

The Association's Investment Fund increased to US$151,772,000 as at 31 December 2019 (2018: US$121,782,000). US$23,780,000 was held in cash, cash funds or money market instruments, US$98,653,000 was invested in US Dollar bonds, and US$29,339,000 was invested in equity (exchange traded) funds.

Reserves

The balance of the Association's funds as at 31 December 2019, including the Statutory Reserve Fund of US$240,000, stood at US$119,498,000 (2018:US$111,241,000).

Directors' Meetings

The Directors met three times during 2019: in Zurich on 17 May, in Athens on 16 September and in Paris on 18 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 2020.

AP Areas

As at 1 January 2020, 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 northern side, the coast of Benin, Togo and Nigeria
on the western side, a straight line from the border, on the coast, of Ghana and Togo to position 3° N, 1° 10’ E
on the southern side a straight line from there to position 3° N, 8° E
and on the eastern side, a straight line from there to 4° N, 8° 31’ E and then from there to the border, on the coast of Nigeria and Cameroon,

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 15° N
on the west of the Gulf of Oman by 58° E
on the east, 65° E
and on the south, 12° S

The Association’s AP Areas as at 1 January 2020, 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 C6/2019, 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 12–13, 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 2019 and of the surplus 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.

M F Lykiardopulo
Chairman
14 May 2020

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 2019 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
14 May 2020

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 2019

	Notes	2019 US$ '000	2018 US$ '000
Revenue			
Contributions and premiums	3	14,370	8,016
Reinsurance premiums	4	(13,769)	(5,686)
		601	**2,330**
Expenditure			
Net incurred claims	5	(249)	(254)
Acquisition costs		(59)	(63)
Operating expenses	6	(4,206)	(4,539)
Net exchange (loss) / gain	7	272	(421)
		(4,242)	**(5,277)**
Operating loss		(3,641)	(2,947)
Investment return	8	11,886	203
Net income / (loss) for the year before taxes		**8,245**	**(2,744)**
Income tax deferred		12	50
Net income / (loss) for the year		**8,257**	**(2,694)**
General reserve at beginning of year		111,001	113,695
General reserve at end of year	18	**119,258**	**111,001**

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

Accounts

Consolidated Statement of Financial Position for the year ended 31 December 2019

	Notes	2019 US$ '000	2018 US$ '000
Assets			
Cash and cash equivalents	14	23,640	11,059
Financial assets at fair value through profit and loss	9 and 14	128,132	110,723
Accrued interest		585	531
Sundry receivables	15	12,052	2,749
Amounts due from Members	16	17,694	-
Reinsurance recoveries on outstanding claims	11	2,240	1,605
Fixed assets net	13	1,048	1,097
		185,391	**127,764**
Liabilities			
Financial liabilities at fair value through profit and loss	9	-	(159)
Outstanding claims	10 and 11	(2,240)	(1,833)
Payables	17	(63,494)	(13,950)
Amounts due to Members	16	-	(378)
Tax and social security contributions		(159)	(203)
		(65,893)	**(16,523)**
Total net assets		**119,498**	**111,241**
Funds			
Statutory reserve	18	240	240
General reserve	18	119,258	111,001
Total funds		**119,498**	**111,241**

Chairman: Mr M F Lykiardopulo
Director: Mr C I Caroussis
Managers: Thomas Miller (Bermuda) Limited
Date: 14 May 2020
The accompanying notes form an integral part of these Consolidated Financial Statements.

Accounts

Consolidated Statement of Changes in Equity for the year ended 31 December 2019

	Notes	Company 2019 US$ '000	Company 2018 US$ '000	Group 2019 US$ '000	Group 2018 US$ '000
Funds					
Statutory reserve balance brought forward		240	240	240	240
General reserve balance brought forward		111,116	113,548	111,001	113,695
		111,356	**113,788**	**111,241**	**113,935**
Net income / (loss) for the year		8,142	(2,432)	8,257	(2,694)
Funds at end of year		**119,498**	**111,356**	**119,498**	**111,241**
Statutory reserve	18	240	240	240	240
General reserve	18	119,258	111,116	119,258	111,001
Total funds		**119,498**	**111,356**	**119,498**	**111,241**

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

Accounts

Consolidated Statement of Cash Flows for the year ended 31 December 2019

	2019 US$ '000	2018 US$ '000
Cash flows from operating activities		
Net income / (loss) for the year	8,257	(2,694)
Adjustments for:		
Gain on sale of financial investments	(4,114)	(870)
Net unrealised (gain) / loss on valuation of financial investments	(4,904)	3,141
Depreciation and impairment	28	181
Changes in working capital:		
(Increase) / decrease in reinsurance recoveries on outstanding claims	(635)	969
(Increase) / decrease in sundry receivables	(9,303)	99
Increase in accrued interest	(54)	(37)
Increase in amounts due from Members	(18,072)	(1,871)
Increase / (decrease) in outstanding claims	407	(741)
Increase in payables	49,544	1,672
Decrease in tax and social security contributions	(44)	(62)
Cash flows from / (used in) operating activities	**21,110**	**(213)**
Cash flows from investing activities		
Purchase of financial investments	(111,953)	(128,440)
Proceeds from sale of financial investments	103,403	127,945
Cash flows used in investing activities	(8,550)	(495)
Foreign currency translation	21	64
Net increase / (decrease) in cash and cash equivalents	12,581	(644)
Cash and cash equivalents at beginning of year	11,059	11,703
Cash and cash equivalents at end of year	**23,640**	**11,059**

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

Notes to the Consolidated Financial Statements for the year ended 31 December 2019

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 Insurance Regulations 2018, not to prepare Regulatory Information.

The consolidated financial statements for the year ended 31 December 2019 (including comparatives) were approved and authorised for issue by the Board of Directors on 14 May 2020.

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 has been 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 31 to 33 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).

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:

	2019 Level 1 US$ '000	2019 Level 2 US$ '000	2018 Level 1 US$ '000	2018 Level 2 US$ '000
Assets				
Bonds & Equities	127,992	-	107,137	-
Alternatives fund	-	-	-	3,586
Net fair value	**127,992**	**-**	**107,137**	**3,586**

There have been no transfers in or out of level 3 in the reporting periods under review.

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.

Management's 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 consolidated financial statements.

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

	2019 US$ ‘000	2018 US$ ‘000
Advance contributions	1,348	1,275
Additional premiums	13,022	6,725
Ellinikai contributions	-	16
	14,370	**8,016**

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$134,800) reduction in the level of 2019 advance contributions, there would have been corresponding reductions of US$79,100 in initial reinsurance premiums and US$5,900 in acquisition costs. All other things being equal, a 10% reduction in advance contribution income would, therefore, have decreased the operating result by US$49,800.

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$1,302,200) reduction in the level of 2019 additional premium, there would have been a corresponding reduction of US$1,297,800 in additional reinsurance premium. All other things being equal, a 10% reduction in additional premium income would, therefore, have decreased the operating result by US$4,400.

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

	2019 US$ ‘000	2018 US$ ‘000
Initial	791	705
Additional	12,978	4,981
	13,769	**5,686**

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$1,297,800) increase in additional premium reinsurance cost, there would have been a corresponding increase of US$1,302,200 in additional premium income. All other things being equal, the operating result would, therefore, have increased by US$4,400.

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 2019 (continued)

5. Net incurred claims

	2019 US$ '000	2018 US$ '000
Gross claims paid	1,908	1,091
Less: reinsurance recoveries	(1,431)	(1,065)
Net claims paid	**477**	**26**
Increase / (Decrease) in provision for outstanding claims	407	(741)
(Increase) / Decrease in provision for reinsurance recoveries	(635)	969
(Decrease) / Increase in net claims provisions	(228)	228
Net incurred claims	**249**	**254**

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 2019 although suspicious approaches and attacks continued to be reported. The ongoing use of on board security has been a key factor in ensuring no ships entered with the Association have been seized by Somali pirates since 2011. 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	2019 US$ '000	2018 US$ '000
Management fee	19	2,951	2,761
Directors' meetings – travel and hotel expenses		294	274
Charitable donations		157	543
Greek office expenses (Branch and Ellinikai)		168	170
Audit fees		118	70
Employee costs		134	139
Insurance expenses		72	74
Managers' travel		57	72
Legal and other professional charges		48	68
Printing and stationery		32	38
Promotional expenses		28	34
Depreciation, amortisation and impairment	13	28	181
Communications – telephone and postage		28	28
Government fees		27	26
Bank and finance charges		27	23
Directors' fees		23	22
NATO PBOS Working Group		14	16
		4,206	**4,539**

7. Net exchange (loss) / gain

	2019 US$ '000	2018 US$ '000
Net exchange gain / (loss) on operating activities	272	(421)

8. Investment return

	2019 US$ '000	2018 US$ '000
Interest on bonds	2,643	2,327
Interest on bank deposits	150	94
Gain / (loss) on sale of bond securities	863	(303)
Gain on sale of alternatives funds	568	41
Gain on sale of equity securities	2,683	1,134
Rental / other income	96	69
	7,003	3,362
Net unrealised gain / (loss) gain on valuation of equity securities	4,327	(2,905)
Net unrealised loss on valuation of alternatives funds	(388)	(118)
Net unrealised gain / (loss) on valuation of bond securities	944	(136)
	4,883	(3,159)
Investment return	**11,886**	**203**

9. Investments

	2019 US$ '000	2018 US$ '000
Bonds	98,653	78,400
Equities	29,339	28,737
Total listed investments at market value		
- cost US$119,027 (2018 US$103,470)	127,992	107,137
Alternatives Funds	-	3,586
Forward contracts receivable (see note 14)	140	-
Financial assets at fair value	128,132	110,723
Financial liabilities at fair value:		
Forward contracts payable (see note 14)	-	(159)
	128,132	**110,564**

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 1.125% and 4.5% (2018: 0.875% 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 2019, an increase / decrease of 50 basis points in interest yields, with all other variables held constant, profit for the year would have been US$654,951 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 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$1,466,950 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	-
Six years later	26,048	9,424	552	-	-
Seven years later	26,048	9,406	-	-	-
Eight years later	26,048	-	-	-	-
Current estimate	26,048	9,406	552	288	7,774
Cumulative payments	(26,048)	(9,406)	(552)	(288)	(7,522)
	-	**-**	**-**	**-**	**252**

	2016 US$ '000	2017 US$ '000	2018 US$ '000	2019 US$ '000	Total US$ '000
As at end of first financial year	696	512	308	2,379	
One year later	597	458	249	-	
Two years later	594	451	-	-	
Three years later	594	-	-	-	
Four years later	-	-	-	-	
Five years later	-	-	-	-	
Six years later	-	-	-	-	
Seven years later	-	-	-	-	
Eight years later	-	-	-	-	
Current estimate	594	451	249	2,379	
Cumulative payments	(592)	(451)	(249)	(1,605)	
	2	**-**	**-**	**774**	**1,028**
Claims reserves on earlier years					1,212
Claims reserves					**2,240**

11. Outstanding claims

	2019 US$ '000			2018 US$ '000		
	Gross	Recoverable	Net	Gross	Recoverable	Net
Reported unpaid claims relating to:						
open underwriting years:						
2019	774	(774)	-	-	-	-
Closed underwriting years						
2018	-	-	-	286	(58)	228
Previously closed underwriting years	1,466	(1,466)	-	1,547	(1,547)	-
	2,240	**(2,240)**	**-**	**1,833**	**(1,605)**	**228**

At the November 2019 board meeting the Directors closed the 2018 underwriting year.

12. Contingent liability

The Association remains involved in litigation in relation to the loss of the DEMETRA BEAUTY in the Gulf of Oman in January 1991.

In 2017, the Association was successful in the Piraeus Court of Appeal in defeating various claims made by the Owners of the DEMETRA BEAUTY. Owners filed an appeal to the Supreme Court which was heard in September 2018. The Supreme Court's decision is expected shortly. The Association continues to believe that there is no liability on the Association in the matter although, as in previous years, an estimate of the legal costs likely to be incurred in the continued defence of the case is included in the provision for outstanding claims (see Notes 2(F) and 11).

13. Fixed assets

	Land and Buildings US$ '000	Furniture and Fittings US$ '000	Total US$ '000
Cost			
At 1 January 2019	2,106	58	2,164
Foreign currency translation adjustment	(38)	(1)	(39)
At 31 December 2019	2,068	57	2,125
Accumulated depreciation			
At 1 January 2019	(1,011)	(57)	(1,068)
Depreciation (see note 6)	(28)	-	(28)
Foreign currency translation adjustment	18	1	19
At 31 December 2019	(1,021)	(56)	(1,077)
Net Book Value			
At 31 December 2019	1,047	1	1,048
At 31 December 2018	1,095	2	1,097

Included within land and buildings is investment property of $987,000 (2018: $1,030,000).

The value of the Group's Land and Buildings has reduced during 2018 due to an impairment loss of $153,000 being recorded. The impairment loss has been arrived at on the basis of a valuation carried out as at 31 December 2018 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.

14. Cash and investments summary

Cash and cash equivalents and investments	2019 Cost US$ '000	2019 Fair Value US$ '000	2018 Cost US$ '000	2018 Fair Value US$ '000
Interest bearing securities	97,865	98,653	78,566	78,400
Cash and cash equivalents	23,208	23,208	10,482	10,482
Alternatives Funds	-	-	3,193	3,586
Equities	21,162	29,339	24,904	28,737
Forward contracts receivable (see note 9)	-	140	-	-
Company Total	142,235	151,340	117,145	121,205
Subsidiary cash	432	432	577	577
Cash and cash equivalents and investments	142,667	151,772	117,722	121,782
Forward contracts payable (see note 9)	**-**	**-**	**-**	**(159)**
Group total	**142,667**	**151,772**	**117,722**	**121,623**

Notes to the Consolidated Financial Statements for the year ended 31 December 2019 (continued)

15. Sundry receivables

	Company		Group	
	2019 US$ '000	2018 US$ '000	2019 US$ '000	2018 US$ '000
Claims recoverable from reinsurers	1,191	304	1,191	304
Other receivables and prepayments	10,835	2,428	10,861	2,445
	12,026	**2,732**	**12,052**	**2,749**

16. Amounts due from / (to) Members

	Company		Group	
	2019 US$ '000	2018 US$ '000	2019 US$ '000	2018 US$ '000
Amounts due:-				
Less than two months	16,261	(602)	16,261	(602)
Two to three months	2,430	529	2,430	529
Over three months	(997)	(305)	(997)	(305)
	17,694	**(378)**	**17,694**	**(378)**

17. Payables

	Company		Group	
	2019 US$ '000	2018 US$ '000	2019 US$ '000	2018 US$ '000
Members' balances	46,304	8,913	46,304	8,913
Reinsurance balances	16,878	4,526	16,878	4,526
Accrued expenses and deferred income	277	476	312	511
	63,459	**13,915**	**63,494**	**13,950**

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 places.

The minimum solvency margin required for a class 2 insurer in Bermuda for 2019 was US$250,000 (2018: 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 2019 was US$126,000 (2018: US$297,000).

The Association is 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 2019 the balance of the Association's funds, including the Statutory Reserve Fund of US$240,000, was US$119.5 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 2016, 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 one of the Directors (who is Bermuda resident) 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$2,951,000 Management fee (2018: US$2,761,000) paid to the Manager 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 £9,702 during the year to 31 December 2019 (2018: £9,011). 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 Insurance S.A., which in Greek is 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 2019, investments, cash and cash equivalents were held as follows:

	S&P Rating	**2019 US$ '000**	**2018 US$ '000**
Bank of New York	All A rated at least	98,744	78,469
Fund Managers	Not Rated	-	3,586
Equity holdings	Not Rated	29,339	28,737
Barclays Bank	A	17,243	9,235
Goldman Sachs Funds	AAA	5,856	1,136
Alpha Bank - Greece	B (2018: B-)	450	619
		151,632	**121,782**

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	23,208	-	-	23,208
Interest bearing securities	5,541	12,503	80,749	98,793
Equities	29,339	-	-	29,339
Company total	58,088	12,503	80,749	151,340
Subsidiary cash	432	-	-	432
Group total	**58,520**	**12,503**	**80,749**	**151,772**

21. Financial risk management (continued)

Currency risk

Currency exposure	Company 2019 %	Company 2018 %	Group 2019 %	Group 2018 %
Euro	-	-	1	1
Sterling	-	-	-	-
Dollar	100	100	99	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 2020, through to 14 May 2020, for potential recognition or disclosure in the notes to the consolidated financial statements.

Impact of COVID-19

At 14 May 2020 the volume of Additional Premium declaration's made to the Association continues to be at about pre-COVID-19 levels. There will inevitably be a reduction in world trade as demand falls as a result of the virus and certain shipping sectors will see a down-turn and the number of voyages/port calls will be reduced. However, it is anticipated that world trade will rebound once the effect of the virus is over such that premium levels for 2020 may not be substantially affected. If premium levels are lower the Association's reinsurance premiums will be similarly reduced.

The Association's Investment Mandate was amended and a new, lower risk, benchmark was adopted in May 2019 such that the Association's investment portfolio has not been affected as much as it might have been with the previous mandate. The Association's consolidated portfolio, year to date, at 14 May 2020 was provisionally -0.34% or a loss of US$0.314 million, which included a positive return from fixed interest and an equity return of -11.62%. Fixed income contributed +2.13% of the total return of -0.34%, while the balance of -2.47% was due to equities.

It is difficult to predict how COVID-19 will develop and what impact it will have in the near term on economic growth and corporate profits. The Association's Investment Managers consider that the likely impact of the virus will last at least until June 2020 but that there is likely to be a rebound in the second half of 2020. It is considered that market and policy responses to the shock are most likely setting the stage for a solid rebound in economic activity later in 2020 and above-trend growth in 2021 such that this year's fall in equity prices and US Treasury yields will be reversed. Thus there are likely to be attractive opportunities for the Association to increase allocation to risk assets on a tactical basis and to boost risk-adjusted returns.

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

The virus is not expected to have any effect on claims.

It was decided not to hold the Association's Board meeting in Zurich on 14 May 2020. Instead copies of the agenda were circulated by email and the meeting was held on the same date by telephone conference.

The Association's Managers' Agents have been working 100% remotely since close of business on 20 March 2020 and business as usual is being sustained. Operational capability is being continually reviewed and adapted as the situation requires it and, in case of need, it is anticipated that this arrangement can 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

With effect from 15 July 2019, the Registered Office address and business address of the Association, and the office address of the Managers and Secretary, Thomas Miller (Bermuda) Limited, changed to:

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

hellenicwarrisks.com