

UK WAR RISKS



RESILIENT AND SECURE

*Review of the Year for the year ended
20 February 2015*



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

UK WAR RISKS



The Club's cover includes:

- **war, civil war, revolution and rebellion**
- **capture, seizure, arrest, restraint or detention**
- **mines, torpedoes, bombs or other weapons of war, even when derelict**
- **damage or loss caused by strikes and labour disturbances**
- **terrorists, people acting maliciously or from a political motive**
- **piracy or violent theft by people from outside the ship**

The first international war risks mutual

Surplus for the Year

\$1m

End of Year Reserves

\$33.6m

Pirate Activity

18%

Total Number of Ships Entered



880

A- Rating

Awarded a financial strength rating of "A- stable" by AM Best

A- stable



Piracy and sea robbery incidents in Asia were up 18% in the first half of 2015 (Source: ReCAAP ISC)

AP Areas



South America

Venezuela

Africa

Benin
Eritrea
Gulf of Guinea
Libya
Nigeria
Somalia
Togo
Southern Red Sea
Gulf of Aden /
Gulf of Oman
Arabian Sea /
Indian Ocean

Middle East

Iran
Iraq
Israel
Lebanon
Saudi Arabia
Syria
Yemen

South East Asia

North East Coast
of Borneo
Jakarta
Philippines



War risks insurance is designed to cover risks that standard hull insurance and P&I insurance choose to exclude.

*Review of the Year for the year ended
20 February 2015*

Staying safe

I am pleased to be able to report that 2014 was another year in which no claims were incurred by the Association. However, recent events have highlighted that despite Somali piracy activity remaining subdued, largely owing to Owners' and EUNAVFOR's ongoing anti-piracy efforts, there are continued and, in some cases, heightened risks to shipping in many parts of the world. Perhaps of most concern is the current instability in Libya, where a Greek tanker, (which was not entered in the Association) was attacked recently by the Libyan Air Force for no apparent reason. In addition, the spread of ISIS (Islamic State) in Libya, Syria and Iraq poses a potential further threat to ships and their crews trading to these countries.

Risk environment

The situation in Nigeria also remains of concern with Owners facing continued attempts to hijack ships for their cargo or, thankfully, somewhat less frequently, to kidnap ships' crews for ransom. The Nigerian Federal Government's recent prohibition of the use of armed or unarmed guards on board ships entering Nigerian coastal or territorial waters has also increased the difficulties in deterring these attacks. Piracy in SE Asia also appears to have increased, both in the number and also the scope of attacks, which are now often more serious than the relatively small scale thefts seen in the past.

The above factors emphasise the need for Owners to remain vigilant against the varied threats to which their ships and crew are exposed. I am confident that in the event of a claim involving the Association, the combination of the cover provided by the Rules, the Managers' experience in handling such incidents as well as the Directors' discretion under the Rules, all combine to provide an unrivalled level of support to Members in what can be highly complex and costly cases.

...the Association's high level of reserves relative to its capital requirements has enabled a further reduction in Annual Premiums at the 2015 renewal.

Financial performance

Of course, the Association's cover counts for nothing if the premiums charged are not competitive. I am therefore pleased that the Association's high level of reserves relative to its capital requirements has enabled a further reduction in Annual Premiums at the 2015 renewal. Although the Association's war risk premiums have fallen in recent years, this has been offset by falls in reinsurance costs and positive investment returns. The Association's strong financial position was recognised by AM Best last year, who re-affirmed its financial strength rating of A- "Excellent." The Association remains committed to keeping Members' insurance costs as low as possible whilst maintaining class leading cover and the highest possible standards of service.

Increased flexibility

In 2015, the Association has enhanced the cover it offers to Members to include optional war loss of hire and contraband covers, both at extremely competitive rates. War loss of hire cover can, if Members wish, respond to piracy incidents involving the seizure of ships, with no deductible being applicable. In addition, Members may now enter ships at any time in the Policy Year for a twelve month period, rather than all entries being subject to renewal on 20 February each year. I hope that Members will welcome these changes.

Finally, I would like to take this opportunity to thank the membership for its continued support in 2014.

T Stage

Chairman
14 April 2015

Total Entered Value (at year end)

\$16bn

NEW AREAS OF COVER

War loss of hire now available

Our Members' trading environment remains unstable and potentially risky. In this environment, the Club maintains focus purely on war risks, providing specialist cover, enabling it to extend the breadth and depth of expertise and knowledge available to assist Members.

New war loss of hire covers as well as increased flexibility of existing policy arrangements were announced in January 2015 year by way of Club circular C1-15. Loss of hire payments whether arising from loss or damage, or through the loss of use of the ship through piracy, can now be insured for significant time periods.

The UK War Risks Club website (www.ukwarrisks.com) was relaunched in late 2014. It offers information on the full breadth of the Club's international activities and cover, including the full suite of documentation, as well as regular risk and news updates.

WAR RISKS

Maintaining high levels of onboard security in combination with continued anti-piracy patrols by naval forces is key to preventing successful attacks

Hazards remain in AP Areas

Indian Ocean & Gulf of Aden

Somali pirate activity remained subdued in 2014 though some attacks and suspicious approaches by skiffs continue to be reported. Whilst much reduced, the piracy threat has not been eradicated. The use of armed guards, effective application of the best management practices of BMP4 and the international naval forces' anti-piracy efforts in the Gulf of Aden and Indian Ocean are responsible for the lack of pirate success in seizing ships for ransom.

Yemen

The civil conflict within the Yemen has not led to any significant attacks on merchant ships passing through the Gulf of Aden or Yemeni waters. However, ships have been intercepted by naval forces seeking to prevent arms movements into the country.

West Africa

Violent theft of cargo from product tankers and the kidnapping of crews are the primary objective of pirates operating in the Gulf of Guinea region.

The risk of attack is considered most acute along the Nigerian coast and offshore to the east of 5° East.

Libya

The potential war risks presented by Libya vary across the different coastal and port locations as a confusing variety of different factions and armed groups engage in conflict. The Libyan air force has bombed three ships at various places along the Libyan coast.

South-East Asia

Approximately half of all piracy incidents each year take place in the waters around south-east Asia. These attacks are motivated by robbery and theft of property, mainly petroleum product cargoes, rather than kidnap. The level of violence is generally less acute than that evident in the Indian Ocean and Gulf of Guinea.

MUTUALITY

Advising Members on measures to prevent pirate attacks

The Club continues to enjoy a healthy financial position outlined in the "Finance" section of this review. That financial strength benefits our Members through lower rates of Advance Contributions with those premiums reduced by 25 per cent for the 2015 policy year.

Protection and support in the event of war risks incidents is the primary purpose of the UK War Risks Club. Although no new claims were notified during the year ended 20 February 2015, the Club, nevertheless, continued to advise Members on measures to prevent and deter pirate attacks and on the terms of contracts for security teams.

The Club welcomes feedback from all Members and brokers on all aspects of its service and support.

RISK TRANSFER

A risk transfer strategy which safeguards reserves

The Notes to the Financial Statements contained in the 2015 Annual Report include details of the Club's reinsurance programme. The Club operates a risk transfer strategy to provide protection against claims and so safeguard its reserves. The majority of the Club's reinsurance is placed at Lloyd's, with the balance being in the company and overseas markets.

The reinsurance is placed with reinsurers having at least an 'A-' rating and the Association is entitled to remove any one whose rating falls below that level during the year. No single reinsurer writes a line of more than ten per cent on the contract. The risk transfer strategy will be maintained.

Free reserves

\$33.6m

Investment return

5.5%

All figures as at 20 February 2015

INVESTMENTS

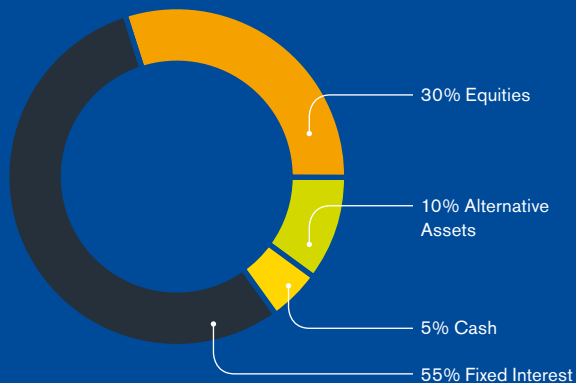
Supporting the business objectives

The Club's primary investment objective is to conserve and accumulate capital in order to cover future obligations and support the business objectives. The secondary objective is to earn greater returns than the benchmarks set out in the Investment Mandate.

Equities were the main driver of returns during the year producing returns of 16%. Despite historic low levels of interest rates, returns on fixed income securities and corporate bonds produced returns of 0.89%.

The overall return for the year ended 20 February 2015 was 5.5% (2014: 6.97%), producing pre-tax investment income of \$1.7m (2014: \$ 2.1m).

Investment portfolio allocation



Annual premium rates

-25%

For the 2015 Policy Year

FINANCES

Key financial information

The figures in the table below are taken from the Directors' Report and Financial Statements for the year ended 20 February 2015, which will be submitted to the membership for approval at the Annual General Meeting which will be held on 13 October 2015.

The table compares the key financial information from the 2015 Financial Year with the corresponding figures from the 2014 Financial Year.

All figures in \$000s	2015	2014
Gross premium written	2,108	2,910
Outward reinsurance premium	(1,175)	(2,080)
Other technical income	153	257
Acquisition and administration costs	(1,686)	(1,771)
Operating deficit on the technical account	(600)	(684)
Net investment income after tax	1,593	1,961
Surplus for the year after tax	993	1,277
Reserves as at 20 February 2014	32,610	31,333
Reserves as at 20 February 2015	33,603	32,610

The Club's reserves remain at a level well above minimum statutory requirements.

Gross premium written for the year ended 20 February 2015 reduced by 28%. The reasons for the fall were the 20% reduction given to Members on Advance Contributions and the reduction in Additional Premium ("AP") income which resulted from fewer AP voyages and, more significantly, from the discounts given to ships transiting the Gulf of Aden/Indian Ocean AP area that had either armed guards on board and /or a specific Kidnap and Ransom Insurance policy in place. There was a corresponding decrease in reinsurance premium.

**When the unexpected happens,
we are on your side**



The first **international** war risks mutual

email ukwr@thomasmiller.com web www.ukwarrisks.com

Managers

Thomas Miller War Risks Services Limited

90 Fenchurch Street, London EC3M 4ST

tel +44 (0)20 7283 4646 fax +44 (0)20 7929 3918

The United Kingdom Mutual War Risks Association Limited

Registered Office

90 Fenchurch Street, London, EC3M 4ST

Registered in England

No. 127262