

No. 10 2015/2016 - Class 1 and Class 2 Policy Year Balances and Mid-Year Financial Position August 2015

September 2015

Dear Sirs,

CLASS 1 (P&I) AND CLASS 2 (FD&D) POLICY YEAR BALANCES AND MID-YEAR FINANCIAL POSITION AT 20 AUGUST 2015

The Board as usual reviewed the latest figures for Class 1 and Class 2 and the Club's mid-year financial position at their meeting on 23 September 2015.

MID-YEAR FINANCIAL POSITION

The Board noted the following key indicators:-

- Free Reserves have increased from \$243.7 million in February 2015 to \$252.0 million.
- The combined ratio has reduced again to 94.4%.
- Claims for all policy years have continued to develop at moderate levels.
- Pool claims from other Group Clubs also appear to be moderate and stable.
- The investment return from invested assets excluding property was negative at -0.56% (\$3.1 million).

The Board, in reviewing the Club's ongoing positive financial performance, is concerned that the evident volatility in investment markets will not moderate in the short-term and has re-affirmed its defensive stance in asset allocation.

CLASS 1 (P&I) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2012 AND PRIOR)

The 2012 policy year was closed in May 2015. Members' claims costs for that year and for older policy years have continued to reduce and Pool costs have been stable. In aggregate the surplus on all closed policy years has increased by approximately \$10 million since February.

OPEN POLICY YEARS

2013/2014

Members' claims for 2013 are slightly higher than the figures for 2011 and 2012 at the same stage of development and have been stable since February. Pool claims have also remained stable.

No further call is forecast and the year is scheduled to be closed in May 2016. The release percentage which was reduced from 15% to 5% (equivalent to 3.7% of the mutual ETC) in May is unchanged.

2014/2015

Members' incurred claims for the 2014 policy year are significantly lower than for 2011, 2012 and 2013 at the same stage of development. Pool claims from other Clubs are also at a lower level than for 2011, 2012 and 2013 so that the overall cost of the year is lower than for each of those years.

The forecast additional call of 35% was charged in August 2015 and no further call is forecast. The release percentage was reduced from 30% to 10% (equivalent to 7.4% of the mutual ETC) in May 2015 and remains unchanged.

2015/2016

Mid-year incurred claims for Members for the current policy year are in line with the levels observed for all policy years since 2011. This positive start to the year is also reflected in the level of claims notified to-date for the Pool which appears lower than for recent years. The Club continues to benefit from a low contribution rate at just over 6%.

The forecast additional call of 35% is scheduled for payment in August 2016. No change has been made to the forecast and the 20% release percentage (14.8% of the mutual ETC), which was reduced from 25% in May, is also unchanged.

CLASS 2 (FD&D) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2010 AND PRIOR)

Projected total claims for all closed policy years up to and including 2010 have not materially changed since February 2015 with the overall closed year surplus at \$18 million.

OPEN POLICY YEARS (2011 – 2014)

Incurred claims for all open years from 2011-2014 have developed well within projections since February 2015. No change has been made to any of the forecast additional or release call percentages as were advised in Notice to Members No. 4 2015/2016 dated May 2015.

2015/2016

Claims costs for the 2015 policy year to-date show no adverse pattern compared with earlier policy years at the same stage. No change has been made to the forecast additional call of 35% or to the release percentage of 20% (14.8% of the mutual ETC.).

RELEASES

In assessing and reconfirming the level of release call percentages set for all open policy years for both Class 1 and Class 2, the Board has taken account of the fact that the factors that might affect the risk that the level of the Club's estimated total premiums might be exceeded had not materially altered since their last review of the Club's figures in May 2015.

A statement of the Club's release call percentages for Class 1 and 2 is as usual available on the Club's website at www.westpandi.com.

Yours faithfully

For: **West of England Insurance Services (Luxembourg) S.A.**

P E Spendlove
Managing Director