

No. 4 - Policy Year Balances

May 2004

Dear Sirs

POLICY YEAR BALANCES

At their meeting on 19 May 2004 the Board reviewed the latest policy year balances as at 20 February 2004.

Over the last twelve months the Club's overall financial strength has increased significantly. This is primarily as a result of an investment return of 14.4%. Free reserves are up by approximately \$20 million to \$145 million and net assets have risen to more than \$500 million.

CLASS 1 (P&I)

Closed Policy Years

The aggregate surplus for closed policy years, including 2000, has increased by about \$10 million to \$79 million.

Open Policy Years

2001/2002

The latest claims figures for the 2001 policy year continue to be stable with the result that the Board has decided to close the year without a further call.

2002/2003

Claims costs for the 2002 policy year remain slightly higher than for 2001 but the year is developing satisfactorily. The Board has confirmed that no further call is expected and that the year should be closed in May 2005. The original release call (15%) remains unchanged.

2003/2004

Claims costs for the 2003 policy year, although at an early stage of development, are substantially higher than for any previous policy year. Claims for amounts up to \$500,000 show a normal pattern of development, but the Club experienced an extraordinary number of high value claims in the first three months of the policy year. The year however benefits from much higher premium income and substantial recoveries from the special reinsurances which have been placed for retained claims. The Board has therefore confirmed that the forecast additional call of 20% shall be payable by 20 August 2004 and that the original release call of a further 15% shall remain unchanged.

CLASS 2 (FD&D)

Closed Policy Years

The aggregate surplus for closed policy years up to and including 1998 has increased to nearly \$13 million as claims costs have remained stable.

Open Policy Years

1999/2000

The 1999/2000 policy year remains in surplus. The Board has decided that it should be closed without a further call.

2000/2001 and 2001/2002

Although the 2000 policy year shows a small shortfall before investment income, the 2001 policy year is also in surplus. No further calls are expected for either year and the release calls remain unchanged (25% for 2000 and 15% for 2001).

2002/2003

The claims forecasts for 2002 remain within original projections with the result that the Board has decided to call the 20% additional call to be payable by 20 August 2004. No change has been made to the 15% release call.

2003/2004

It remains too early to form meaningful conclusions for 2003 at so early a stage of development. No change has been made to the forecast additional call (20%) or to the further release (15%).

As usual, detailed figures for both Class 1 and Class 2 will be published with the Club's Annual Report and Accounts for the year ending 20 February 2004 in the coming weeks.

Yours faithfully

**The West of England Ship Owners
Insurance Services Limited**
(As Managers)

P E Spendlove
Managing Director