

No. 13 2014/2015 - Class 1 and Class 2 Policy Year Balances and Mid-Year Financial Update August 2014

September 2014

Translations: Chinese  Vietnamese 

Dear Sirs,

CLASS 1 (P&I) AND CLASS 2 (FD&D) POLICY YEAR BALANCES AND MID-YEAR FINANCIAL UPDATE AT AUGUST 2014

At their meeting on 24 September 2014 the Board reviewed the latest Class 1 and Class 2 policy year balances and the Club's mid-year financial position as at 20 August 2014.

MID-YEAR FINANCIAL POSITION

The Club's overall financial position has continued to strengthen in the six months to August 2014. Members' incurred claims have again developed favourably and Pool claims for 2013 from other Clubs, as reported in May, are still at more moderate levels than for 2011 and 2012. As a result, at mid-year, the Club's combined ratio has reduced to 100.3%. Investment performance has also been positive with a return of 2.25% for the year to-date. Overall the Club's free reserve at August 2014 has therefore increased to \$227.8 million compared with \$216.2 million in February.

CLASS 1 (P&I) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2011 AND PRIOR)

The 2011 policy year was closed in May 2014. 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 more than \$10 million since February.

OPEN POLICY YEARS

2012/2013

Members' claims for 2012 are at a similar low level to the figures for 2011 at the same stage of development and have reduced since February. Pool claims have also remained stable.

No further call is forecast and the year is scheduled to be closed in May 2015. The release percentage which was reduced from 15% to 5% in May is unchanged.

2013/2014

Members' incurred claims for the 2013 policy year are slightly higher than for 2011 and 2012 at the same stage of

development but, as was noted in May, Pool claims from other Clubs continue to be at a lower level than for 2011 and 2012 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 2014 and no further call is forecast. The release percentage was reduced from 30% to 15% in May 2014 and remains unchanged.

2014/2015

Mid-year incurred claims for Members for the current policy year are below the levels observed for any recent policy year. 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. A further reduction in the Club's contribution to Pool claims to less than 6% is also a particular benefit.

The forecast additional call of 35% is scheduled for payment in August 2015. No change has been made to the forecast and the 30% release percentage is also unchanged.

CLASS 2 (FD&D) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2009 AND PRIOR)

Projected total claims for all closed policy years up to and including 2009 have not materially changed since February 2014 with the overall closed year surplus at \$18 million.

OPEN POLICY YEARS (2010 – 2013)

Incurred claims for all open years from 2010-2013 have developed well within projections since February 2014. No change has accordingly been made to any of the forecast additional or release call percentages as advised in Notice to Members No. 7 2014/2015 dated May 2014.

2014/2015

Adverse trading conditions for Shipowners which have characterised all recent policy years have continued during 2014, but claims costs for the 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 (30%).

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 2014.

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.**
(As Managers)

P E Spendlove
Managing Director