

Notices to Members

# **No.1 2022/2023 - Class 1 and Class 2 Policy Year Balances and Financial Position at 20 February 2022**



**Tom Bowsher**  
Group CEO

**May 2022**

**The Report and Accounts for the year ending 20 February 2022 for The West of England Ship Owners Mutual Insurance Association (Luxembourg) were approved, on 11 May 2022, by the Board who are pleased to report that, despite another year of challenging operating conditions, the Club's technical performance materially improved and the capital position remains strong.**

You can view our Financial Overview here [West P&I Financial Overview](#) and the full Report and Accounts 2022 will be published in the coming months.

## Financial Position

Despite the Club's claims position being impacted by an increasing cost of Covid claims and the large Pool losses suffered by the International Group (IG), the operating performance improved significantly compared to the previous twelve months.

Members' own claims performance - other than for Covid - was better than forecast and the Club did not declare any claims of its own to the IG Pool. The impact of Covid-related liabilities remained strongly in evidence throughout the year, however, especially with the emergence of the Omicron variant with Covid claims for the year expected to be in excess of USD 30m, more than double the preceding year.

The severity of claims in the IG Pool continued to impact significantly on the Club's performance. Each of the last four Policy Years for the Pool has been worse than the preceding year. At the 12-month point, Policy Year 2021 has an incurred cost significantly higher than the 2018-2020 Policy Years at the same development point.

Despite these operating pressures, the improvement in the Club's technical performance has resulted in a combined ratio of 114.4% which without the impact of Covid claims would have been 101%.

Investment markets were also challenging and after two strong years for the financial markets driven by monetary and fiscal stimulus implemented as a response to the pandemic, inflationary pressures and expectations of monetary tightening caused U.S. bond yields to spike. This resulted in losses for fixed income investments which offset gains in the Club's equity and real asset portfolios. Overall, the Club's investment portfolio returned a negative 0.3%.

While these factors resulted in a reduced Free Reserve of USD251.2m, the Club's capital position remains strong reflected in the Club's stable solvency coverage of 163% and its financial strength rating of A- which was re-affirmed by S&P in November.

Although trading conditions and investment markets will remain demanding for all Clubs, West's financial position and the decisive action taken at the last two renewals continues to leave the Club well placed to respond to these ongoing challenges. The renewal not only saw premiums increase in line with the general increase the Board set in reaction to the continued industry-wide underrating of risk, but also the successful implementation of a planned de-risking strategy by not offering renewal terms to some 22m GT of tonnage whose operational profile or claims performance no longer contributed positively to the Club's performance.

These robust actions ensure your Club enters Policy Year 2022 from a much stronger financial position.

## Policy Years and Release Calls

In setting the level of release call percentages for each open policy year for Class 1 and Class 2, the Board has taken into account the Club's overall capital position and all the factors that are set out in Clause 8 of the International Group Agreement.

## Class 1 (P&I)

2019/20 – Closed without further call

2020/21 - Release call reduced to 10% of the estimated total mutual call

2021/22 – Release call maintained at 15% of the estimated total mutual call

2022/23 – Release call maintained at 15% of the estimated total mutual call

## Class 2 (FD&D)

2018/19 – Closed without further call

2019/20 – Release call maintained at 0% of the estimated mutual call

2020/21 – Release call reduced to 10% of the estimated mutual call

2021/22 – Release call maintained at 15% of the estimated total mutual call

2022/23 – Release call maintained at 15% of the estimated total mutual call

Yours faithfully,

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

**T Bowsher**  
Group CEO