

No. 4 - Policy Year Balances

May 2001

Dear Sirs

Policy Year Balances

At their meeting on 9 May the Board reviewed the latest policy year balances. The Club's strong financial position has been maintained. Combined free reserves at 20 February 2001 are \$155 million with net assets at more than \$510 million. Although investment income earned during 2000 remained low at just over 4% projected claims for most policy years are stable or have reduced. The Board has therefore confirmed that all original call forecasts for all open policy years shall remain unchanged.

1. CLASS 1 (P&I)

Closed Policy Years

The aggregate surplus for closed policy years, including 1997, has increased to more than \$60 million as individual policy years have continued to develop as anticipated.

Open Policy Years

1998/1999

The latest figures for the 1998 policy year have continued to improve. The Board has therefore decided to close the year without a further call.

1999/2000

Preliminary expectations that the 1999 policy year might improve have been justified. Ultimate claims costs now appear to be lower than anticipated. As a result the Board has confirmed that no further call is expected and that the year should be closed in May 2002. The original release call (25%) remains unchanged.

2000/2001

The 2000 policy year is at an early stage of development but it seems likely that total claims will exceed the levels experienced in the previous three policy years. Premium levels have also continued to fall as a consequence of a persistent soft market, and investment income is low. However, the Club is protected by the multi-year market reinsurance arrangements concluded during the year. The Board has therefore confirmed that the forecast additional call (50%) should be maintained, and that it should be charged in two instalments with 25% payable by 20 August 2001 and 25% payable by 20 August 2002. The original release call of a further 25% remains unchanged.

2. CLASS 2 (FD&D)

Closed Policy Years

The aggregate surplus for closed policy years up to and including 1995 has increased to \$7 million as claims costs have remained stable.

Open Policy Years

1996/1997

The 1996 policy year continues to be in surplus. The Board has now decided that it should be closed without a further call.

1997/1998 and 1998/1999

Both these policy years have remained in surplus. As a result no further call is expected and the 25% release is unchanged.

1999/2000

Since the 1999/2000 policy year also remains within initial projections, the Board has decided to call the forecast 50% additional call to be payable by 20 August 2001. No change to the 25% release has been made.

2000/2001

Preliminary indications for 2000 are encouraging. No change has been made to either the forecast additional call (50%) or to the further release (25%).

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 2001 in the coming weeks.

Yours faithfully

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

PE Spendlove
Managing Director