

No. 2 - Policy Year Balances

May 2002

Dear Sirs

POLICY YEAR BALANCES

At their meeting on 8 May 2002 the Board reviewed the latest policy year balances.

The Club's strong financial position has been maintained. An overall investment return of 2.5% on the Club's funds, although low by comparison with returns achieved during the 1990's, was better than for many similar funds, and claims costs overall have again moderated. As a result free reserves have only reduced slightly to \$138 Million with net assets remaining at more than \$480 Million.

The Board has therefore confirmed that all original call forecasts for all open policy years shall remain unchanged.

CLASS 1 (P&I)

Closed Policy Years

The aggregate surplus for closed policy years, including 1998, has increased to more than \$72 million as individual policy years have continued to develop as anticipated.

Open Policy Years

1999/2000

The latest figures for the 1999 policy year have continued to improve. The Board has therefore decided to close the year without a further call.

2000/2001

Preliminary expectations that total claims for the 2000 policy year might exceed the levels experienced in the previous three policy years have been justified, but claims costs are showing signs of levelling off early. In any event the Club is protected by the multi-year market reinsurance programme concluded during that year. The Board has accordingly confirmed that no further call other than that set in May 2001 is expected and the year should be closed in May 2003. The original release call (25%) remains unchanged.

2001/2002

The 2001 year is at an early stage of development. Indications are that claims costs may ultimately be lower than for 2000. Premium income however remained low as the market continued to soften during the year, and investment income has been minimal. Nevertheless the multi-year reinsurance programme concluded in 2000 applies to the year with the result that the Board has confirmed that the forecast additional call of 20% shall become payable by 20 August 2002. 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 1996 has increased to \$10 million as claims costs have remained stable.

Open Policy Years

1997/1998

The 1997 policy year continues to be in surplus. The Board has now decided that it should be closed without a further call.

1998/1999 and 1999/2000

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

2000/2001

Since the 2000/2001 policy year also remains within initial projections, the Board has decided to call the forecast 50% additional call to be payable by 20 August 2002. No change to the 25% release has been made.

2001/2002

Preliminary indications for 2001 are encouraging. No change has been made to either 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 2002 in the coming weeks.

Yours faithfully

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

P E Spendlove
Managing Director