

## No. 5 - Policy Year Balances

May 2003

Dear Sirs

### Policy Year Balances

At their meeting on 7 May 2003 the Board reviewed the latest policy year balances as at 20 February 2003.

The Club's financial position remains strong. The investment return was over 3% and claims costs overall have remained stable. Free reserves have reduced slightly to \$125 million with net assets remaining at just under \$480 million, near to the level last year.

### CLASS 1 (P&I)

#### Closed Policy Years

The aggregate surplus for closed policy years, including 1999, has remained substantially unchanged at about \$70 million.

#### Open Policy Years

##### 2000/2001

The latest claims figures for the 2000 policy year continue to be stable although higher than for the three previous policy years. The year is protected by the multi-year market reinsurance programme concluded during 2000. The Board has therefore decided to close the year without a further call.

##### 2001/2002

Claims figures for the 2001 policy year continue to be lower than for 2000 and the expected ultimate cost of the year has reduced. The Board has accordingly confirmed that no further call is expected and that the year should be closed in May 2004. The original release call (15%) remains unchanged.

##### 2002/2003

The 2002 policy year is at an early stage of development, but indications are that claims costs are likely to be similar to 2001. Although investment income available for allocation to the year has been minimal premium income has increased, and the year is protected by the multi-year reinsurance programme concluded in 2000. The Board has therefore confirmed that the forecast additional call of 20% shall be payable by 20 August 2003 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 1997 has remained at about \$12 million as claims costs have remained stable.

## **Open Policy Years**

### **1998/1999**

The 1998/1999 policy year remains in surplus. The Board has decided that it should be closed without a further call.

### **1999/2000 and 2000/2001**

Both these policy years are also in surplus. No further calls are expected and the release call (25%) for each remains unchanged.

### **2001/2002**

The claims forecasts for 2001 remain within original projections with the result that the Board has decided to call the 20% additional call to be payable by 20 August 2003. No change has been made to the 15% release call.

### **2002/2003**

It remains too early to form meaningful conclusions for 2002 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 2003 in the coming weeks.

Yours faithfully

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

**P E Spendlove**  
Managing Director