

No. 22 2011/2012 - Class 1 (P&I) Policy Year Balances and Mid-Year Financial Update August 2011

September 2011

Translations: Chinese  Vietnamese 

Dear Sirs,

CLASS 1 (P&I) POLICY YEAR BALANCES AND MID-YEAR FINANCIAL UPDATE AUGUST 2011

At their meeting on 21 September 2011 the Board reviewed the latest policy year balances as at August 2011 compared with the position at February 2011 and the Club's overall financial position at mid-year.

CLOSED POLICY YEARS (2008 AND PRIOR)

Since February 2011 there has been no significant movement in the projected cost of claims for all closed years either for the Club's Members or for the Pool.

OPEN POLICY YEARS

2009/2010

The 2009 policy year continues to develop with a lower frequency of claims than in prior years and with fewer large claims. The projected overall cost of the year remains unchanged from February 2011 and the year is forecast to be in surplus.

The release percentage remains unchanged at 15% of the advance call and the year is scheduled to be closed in May 2012.

2010/2011

Like 2009 the 2010 policy year has a relatively low frequency of claims, but unlike the previous year, has experienced more large claims. Overall claims costs however remain stable with the projected cost remaining unchanged from the February 2011 position.

The additional call for the year of 30% was charged in August 2011 in line with the original forecast and the year is expected to be closed in May 2013 with no further call.

The release percentage remains unchanged at 30% of the advance call.

2011/12

As a result of measures taken at the February 2011 renewal, claims costs are forecast to be significantly lower than for 2010. In particular, as a result of changes in business underwritten at and since the renewal, the Club has less exposure

to long tail personal injury claims which is expected to reflect positively in the result for the year. The number and value of claims reported for the year to date are, as anticipated, lower than in previous years at the same stage of development.

The forecast additional call of 30% remains unchanged and is scheduled to be payable in August 2012. The release percentage remains unchanged at 30% of the advance call.

INVESTMENT PERFORMANCE

The Club's diversified investment strategy has so far preserved capital in the face of very volatile market conditions and a worsening economic outlook since the beginning of the financial year. At the 20th August the overall investment return remained positive at approximately \$3.5 million so that the Club's free reserve at mid-year was broadly unchanged from the position in February 2011.

Yours faithfully

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

P E Spendlove
Managing Director