

No. 4 2012/2013 - Policy Year Balances

May 2012

Translations: Chinese  Vietnamese 

Dear Sirs

CLASS 1 AND 2 POLICY YEAR BALANCES

The Board reviewed the latest policy year positions as at February 2012 at their meeting on 16 May.

The positive financial progress reported a year ago has continued during 2011 despite a difficult and volatile year for investments which resulted in an overall investment return for the year of just 2%.

The strengthening of the Club's financial position is due mainly to the most favourable claims figures from the Club's own Members in 2011 for many years. The result vindicates last year's decision not to renew a number of Members whose claims experience and risk profiles were persistently adverse. The result also reflects continuing stability in the claims figures for the Club's Members for all recent policy years before 2011. The combined ratio for the year has improved to 108.7%, down from a figure of 118% a year ago.

Movements in relation to other Club's Pool claims were less positive. The cost of notified Pool claims increased sharply for 2011. At the same time earlier policy year Pool claims from other Clubs deteriorated unexpectedly particularly for 2007.

Despite a limited investment return, the positive claims figures for the Club's Members have resulted in the free reserve remaining broadly unchanged from a year ago at slightly below \$180 million.

Mutual entered tonnage at 20 February 2012 was 50.5 million gt; new attachments since then take mutual entered tonnage to 51.7 million gt with an estimated 15 million gt for chartered entries for the year.

CLASS 1

CLOSED POLICY YEARS (2008 AND PRIOR)

Incurred claims for the Club's own Members for closed policy years have generally remained unchanged, or have improved since February 2011. Despite some adverse movements from other Club's Pool claims, the closed year surplus has remained stable.

OPEN POLICY YEARS

2009/2010

The 2009 policy year has now been closed with no further call. The projected net claims cost for the year has reduced again reflecting the fact that a low claims frequency including fewer than usual larger claims was experienced for the year.

2010/2011

As previously reported the overall number of incurred claims has remained low in 2010, but the frequency of larger losses increased significantly when compared with 2009. Claims development for the Club's Members over the past twelve months has however been positive with the result that the projected outcome for the year has reduced from the figure a year ago.

The Board has confirmed that no further call is forecast and that the release shall be reduced from 30% to 15% of the advance call. The year is scheduled to be closed in May 2013.

2011/2012

Incurred claims values for 2011 are considerably lower than for any recent policy year for the Club's own Members. The overall number of claims is at its lowest level for more than 10 years, and the frequency of larger losses is also low. However, the projected cost of other Club's Pool claims is higher than for any year since 2007 reflecting in particular the individual cost of the **COSTA CONCORDIA** and **RENA** casualties. As a result the overall claims cost for the year is not projected at present to be very significantly lower than for 2010.

The Board has confirmed that the forecast additional call of 30% of the advance call shall be paid by 20 August 2012. The release remains unchanged at 30% of the advance call.

CLASS 2 (FD&D)

CLOSED POLICY YEARS (2006 AND PRIOR)

Projected claims costs for closed policy years up to and including 2006 have developed as anticipated a year ago.

OPEN POLICY YEARS

2007/2008

Incurred claims for 2007 reduced slightly over the past twelve months. The Board has decided to close the year without further call.

2008/2009

Incurred claims for 2008 are higher than for any other recent policy year reflecting the banking and credit crisis which affected that year in particular. No further call is anticipated and the 15% release has been reduced to Nil. The year is scheduled for closure in May 2013.

2009/2010

Incurred claims are at present well below the levels experienced in 2007 and 2008, and have barely changed since February 2011. The Board has confirmed that the 15% release call be reduced to Nil.

2010/2011

The 30% forecast additional call is due for payment by 20 August 2012. Incurred claims are in line with the claims experience in 2009. As a result the Board has confirmed that the release call be reduced from 30% to 15% of the advance call.

2011/2012

Incurred claims for 2011 appear in line with the preceding two policy years, but at this stage in its development it is too

early to judge what further claims costs may be incurred. The 30% forecast additional call is due for payment by 20 August 2012. The Board has made no change to the release which was set at 30% of the advance call at the outset.

As usual detailed policy year figures for Class 1 and Class 2 will be published with the Club's Annual Report and Accounts for the year ending 20 February 2012 in August.

Yours faithfully

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

P E Spendlove
Managing Director