

No. 16 2016/2017 - Class 1 and Class 2 Policy Year Balances and Mid-Year Financial Update August 2016

September 2016

Dear Sirs,

CLASS 1 (P&I) AND CLASS 2 (FD&D) POLICY YEAR BALANCES AND MID-YEAR FINANCIAL POSITION AT 20 AUGUST 2016

The Board as usual reviewed the latest figures for Class 1 and Class 2 and the Club's mid-year financial position at their meeting on 21 September 2016.

MID-YEAR FINANCIAL POSITION

The Board noted the following key indicators:-

- Free Reserves have increased by 8% from \$276.7 million at 20 February 2016 to \$299.3 million.
- A combined ratio of 93.3%.
- Members' claims for all policy years have continued to develop at moderate levels.
- Pool claims from other Group Clubs also appear to be moderate and stable.
- The return from all investments including property was +1.8% (\$10.6 million) for the year to August 2016.

CLASS 1 (P&I) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2013 AND PRIOR)

The 2013 policy year was closed in May 2016. Members' claims costs for that year and for older policy years have reduced and Pool costs have been stable. In aggregate the surplus on all closed policy years has increased by approximately \$12 million since February.

OPEN POLICY YEARS

2014/2015

Members' claims for 2014 are significantly lower than the figures for all recent policy years at the same stage of development and have improved since February. Pool claims have also remained stable.

No further call is forecast and the year is scheduled to be closed in May 2017. The Nil release percentage set in May is unchanged.

2015/2016

Members' incurred claims for the 2015 policy year are moderately higher than for 2014 at the same stage of development and are in line with the figures experienced for the 2011 to 2013 policy years. Pool claims from other Clubs are at a lower level than for 2011, 2012 and 2013 so that the overall cost of the year remains within forecast.

The forecast additional call of 35% was charged in August 2016 and no further call is forecast. The release percentage was reduced from 20% to 10% (equivalent to 7.4% of the mutual Estimated Total Call) in May 2016 and is unchanged.

2016/2017

Mid-year incurred claims for Members for the current policy year are in line with the levels observed for all policy years since 2011. This positive start to the year is also reflected in the level of claims notified to-date for the Pool which appears moderate at this early stage. The Club continues to benefit from a low contribution rate to Pool claims at just over 6%.

The forecast additional call of 35% is due for payment by 20 August 2017. No change has been made to the forecast and the 20% release percentage (14.8% of the mutual ETC), set in May, is also unchanged.

CLASS 2 (FD&D) POLICY YEAR BALANCES

CLOSED POLICY YEARS (2011 AND PRIOR)

Projected total claims for all closed policy years up to and including 2011 have not materially changed since February 2016 with the overall closed year surplus now at \$20.1 million.

OPEN POLICY YEARS (2012 – 2015)

Incurred claims for all open years from 2012-2015 have developed within projections since February 2016. No change has been made to any of the forecast additional or release call percentages as were set in May and are as advised in Notice to Members N° 8 2016/2017 dated May 2016.

2016/2017

Claims costs appear within expectations at this early stage of development. No change has been made to the forecast additional call of 35% payable in August 2017 or to the release percentage of 20% (14.8% of the mutual ETC.).

RELEASES

In assessing and reconfirming the level of release call percentages set for all open policy years for both Class 1 and Class 2, the Board has, as usual, taken account of the fact that the factors that might affect the risk that the level of the Club's estimated total premiums might be exceeded had not materially altered since their last review of the Club's figures in May 2016.

A statement of the Club's release call percentages for Class 1 and 2 is as usual available on the Club's website at www.westpandi.com.

Yours faithfully

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

